

Chapter 1 Scarcity and Factors of Production

Section 1

A. Key Terms and Concepts

Directions: Match the terms with the descriptions. Write the letter of the correct answer in the blank provided.

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|---|-------------------|
| _____ 1. limits the supply of the factors of production | a. economics |
| _____ 2. work for which a person is paid | b. goods |
| _____ 3. physical objects such as baseballs or umbrellas | c. human capital |
| _____ 4. the study of how people make choices to meet their needs and wants | d. labor |
| _____ 5. all natural resources or things that come from the earth used to produce goods and services | e. land |
| _____ 6. knowledge gained from education and experience | f. scarcity |
| _____ 7. when consumers want more of an item than producers will offer at a particular price | g. shortage |
| _____ 8. physical or mental exertion used by a human or animal in the production of a good or service | h. macroeconomics |
| _____ 9. focuses on choices made by households, individuals and companies | i. microeconomics |
| _____ 10. examines behaviors of entire economies, examples would include unemployment, war, etc. | j. service |

B. Identify

Directions: Match the correct letter for each factor of production with the example.

- | A. Land | B. Labor | C. Capital | D. Entrepreneurship |
|-----------------------------|---------------------------|---------------------------|---------------------|
| _____ 11. Farmland | _____ 12. office building | _____ 13. Bill Gates | |
| _____ 14. clerks in a store | _____ 15. delivery truck | _____ 16. fishing waters | |
| _____ 17. Michael Dell | _____ 18. oil | _____ 19. factory workers | |
| | _____ 20. Martha Stewart | | |

C. Main Ideas

Directions: Write the letter of the correct answer in the blank provided.

- _____ 21. Which of the following is an example of using physical capital to save time and money?
- A. hiring more workers
 - B. expanding a factory
 - C. switching from oil to coal
 - D. lowering workers' wages
- _____ 22. What is the difference between a shortage and a scarcity?
- A. A shortage can be temporary or long-term, but scarcity always exists
 - B. A shortage results from rising prices; scarcity results from falling prices
 - C. A shortage is a lack of all goods and services; scarcity concerns one item
 - D. There is no real difference between a shortage and scarcity.
- _____ 23. Which of the following are factors of production?
- A. Capital and land
 - B. Scarcity and shortages
 - C. Technology and productivity
 - D. Economics and business decisions
- _____ 24. Which of the following people is an entrepreneur?
- A. a person who creates a game and sells it to a game manufacturer
 - B. a singer or dancer
 - C. a person who runs a cleaning supplies business that employs others
 - D. a computer programmer

D. Reviewing Key Terms

Directions: Complete each sentence by writing the correct term in the blank.

25. A video game is a _____ because it is not necessary for survival.
26. When consumers want more of a good or service than producers are willing to provide at a particular price a _____ occurs.
27. Land, labor and capital make up the _____.
28. When people use a physical good for producing other goods or services, they are using _____.
29. The term _____ refers to water, forests, and all other natural resources used to produce goods and services.
30. An _____ is an individual that is able to combine the other three factors of production to create a new good or service.