

**Economics 10: Economics Review**

May 18 - 22

*Time Allotment: 20 minutes per day*

Student Name: \_\_\_\_\_

Teacher Name: \_\_\_\_\_

Packet Overview

Date	Objective(s)	Page Number
Monday, May 18	Complete Early Economic Thought and Start Supply-Demand	2
Tuesday, May 19	Finish Supply-Demand and start Rise of Capitalism	6
Wednesday, May 20	Finish Rise of Capitalism and start/nearly finish Economic Systems	9
Thursday, May 21	Finish Economic Systems and Complete How the Government Influences the Economy	12
Friday, May 22	Minor Assessment	16

**Additional Notes:**

Remember, Guided Instruction via Zoom on Tuesday and Thursday from 1-1:50, you can connect with me via Zoom to ask questions, discuss concepts etc... However, you can email any time! Please continue to ask questions! E-mail: [Patrick.Franzese@greatheartsnorthernnoaks.org](mailto:Patrick.Franzese@greatheartsnorthernnoaks.org).

*Again, each day's lesson is designed to take no more than 20 minutes. If you have spent more than 20 minutes on a lesson and/or you do not have access to a computer or the internet, then have your parent sign the page next to the "student expectation" section under each lesson and you will receive full credit for the assignment.*

**Academic Honesty**

I certify that I completed this assignment independently in accordance with the GHNO Academy Honor Code.

*Student signature:*

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I certify that my student completed this assignment independently in accordance with the GHNO Academy Honor Code.

*Parent signature:*

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**Monday, May 18 thru Thursday, May 19 – Rise of Capitalism**

**Objective:** Explain key concepts from Early Economic Thought, Supply-Demand, Rise of Capitalism, Economic Systems and How the Government Influences the Economy

**Pacing:** These review questions are are designed to be completed within a total of 80 minutes that can be spread over 4 days. This will also allow you flexibility to explore some concepts more in-depth if you so choose. Generally speaking, you should break down the work as follows:

*Monday: Complete Early Economic Thought (pg 2) and Start Supply-Demand (pg 5)*

*Tuesday: Finish Supply-Demand (pg 6) and start Rise of Capitalism (pg 8)*

*Wednesday: Finish Rise of Capitalism (pg 9) and start/nearly finish Economic Systems (pg 12)*

*Thursday: Finish Economic Systems (pg 12) and Complete How the Government Influences the Economy (pg 15)*

**Intro to Lesson:**

We started the semester looking at the most basic of instruments, a pencil. During that lesson, as we reflect upon all it took to produce that pencil, I asked a number of questions such as: How did this order occur without it being directed or planned?; How do companies know how many pencils are needed to be produced?; Who is being made better off throughout this entire process? Who should determine what would be a fair and just price for the pencils?; Are there any jobs which are more virtuous than another?; What role should government play?; What role did private property play in creating this order?; What is the impact of trade on creating this order?; and What is the impact of specialization on creating this order? Throughout our brief, and highly irregular, semester we have attempted to address and answer those questions. In this week, we will review many of the key concepts we have studied. This is a great opportunity to both ensure an understanding of those concepts and, hopefully, serve as a catalyst for future exploration.

***\*\*\*You will need both your notebook and Course Reader to answer these questions\*\*\****

**Early Economic Thought:**

1) Define the following terms:

a) Economics

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b) Scarcity

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c) Opportunity Cost

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2) What are the means of wealth creation?

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_

3) What are the purposes of money?

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_

4) Reflecting on the Hesiod reading, Why should people work?

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

5) Reflecting on the Xenophon reading, What is wealth? Why does Socrates believe he is wealthier than Critobulus?

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6) Reflecting on the Plato and Aristotle readings: What happens to both the individual and city who pursue wealth as a goal, rather than a means?

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7) Reflecting on the Aristotle and Aquinas readings, What are the benefits of private property?

- a) \_\_\_\_\_  
\_\_\_\_\_
- b) \_\_\_\_\_  
\_\_\_\_\_
- c) \_\_\_\_\_  
\_\_\_\_\_
- d) \_\_\_\_\_  
\_\_\_\_\_

8) Who benefits when engaging in trade? Why? What conditions are needed?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Supply-Demand:**

1) In the space below, draw a supply-demand curve. Make sure you label both axes, both curves and the point where they intersect (i.e., state the name given to the point where the curves intersect).

2) List the non-price determinants of supply:

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_
- e) \_\_\_\_\_
- f) \_\_\_\_\_

3) List the non-price determinants of demand:

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_
- e) \_\_\_\_\_
- f) \_\_\_\_\_

4) What is the difference between a change in demand and a change in the quantity demanded?

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5) What is the difference between a change in supply and a change in the quantity supplied?

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6) What is a *price ceiling*? Describe its effects. Give an example

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7) What is a *price floor*? Describe its effects. Give an example

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- 8) After noticing the cost of ground beef has risen to \$10.00 per pound due to meat processing plants being closed due to sick workers, consumers petition their local government for a law that would return the price of beef back to the former price of \$4.00 per pound. What will happen to the market for beef if this law goes into effect? Discuss both in the short-term and long-term. Describe both in complete sentences and with a supply/demand graph.

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Graph:

**Rise of Capitalism**

- 1) List the 6 factors that contributed to the rise of capitalism and describe why they were important.

Factor	Importance

- 2) List the main idea(s) from each of these readings (reader pgs 95 – 121) in **1-3 Sentences.**

- a) *Wealth of Nations* by Adam Smith

- i) “Introduction and Plan of Work” p.95 – 96

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- ii) “Chapter I: Of the Division of Labor” p.97 – 102 (i.e., what are the benefits of the division of labor?)

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- iii) “Chapter II: Of the Principle which Gives Occasion to the Division of Labor” p.104 – 107 (i.e., why do we have trade?)

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iv) Book IV Ch. II: Of Restraints Upon the Importation from Foreign Countries of Such Goods as can be Produced at Home” p.112 – 121

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v) *On the Principles of Political Economy, and Taxation* by David Ricardo p.109 – 110

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3) Define the following terms:

Term	Definition
Absolute Advantage	
Comparative Advantage	
Exports	
Imports	
Capitalism	
Mercantilism (list key tenets)	

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4) Give four reasons why nations trade with each other.

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

5) What might a government do to restrict or encourage international trade?

\_\_\_\_\_  
\_\_\_\_\_

6) Who usually is harmed trade restrictions (i.e., tariffs, quotas etc...)? Why?

- a) \_\_\_\_\_  
\_\_\_\_\_
- b) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7) Who usually benefits from trade restrictions (i.e., tariffs, quotas etc...)? Why?

- a) \_\_\_\_\_  
\_\_\_\_\_
- b) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Economic Systems**

1) What are the five basic economic questions that all societies face.

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_
- e) \_\_\_\_\_

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2) List the characteristics of a *market economy*.

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_
- e) \_\_\_\_\_
- f) \_\_\_\_\_

3) List the characteristics of a *command economy*.

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_
- e) \_\_\_\_\_

4) Give two examples of the “Law of Unintended Consequences”

- a) \_\_\_\_\_  
\_\_\_\_\_
- b) \_\_\_\_\_  
\_\_\_\_\_

5) Summarize Madison’s main argument in *Federalist No. 10*

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6) List three provisions in the U.S. Constitution that address private property and/or free markets.

- a) \_\_\_\_\_  
\_\_\_\_\_
- b) \_\_\_\_\_  
\_\_\_\_\_
- c) \_\_\_\_\_  
\_\_\_\_\_

7) Define “public good” and give an example.

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8) List three outcomes of historical attempts at socialism from the “Opportunity Cost of Socialism” reading.

a) \_\_\_\_\_

\_\_\_\_\_

a) \_\_\_\_\_

\_\_\_\_\_

b) \_\_\_\_\_

\_\_\_\_\_

**Briefly Review some of the Readings During this Time and Some of Their Thoughts**

<b>Work/Author</b>	<b>Main Arguments</b>
<i>The Road to Serfdom</i> F.A. Hayek	<ul style="list-style-type: none"> <li>- Planning power is at odds with democracy</li> <li>- Liberalism is both more efficient than socialism and does not require coercion or arbitrary intervention of authority (128); planning requires coercion, and dictatorship is the most effective type of coercion (132)</li> <li>- Allows for Rule of Law, not arbitrary laws (138)</li> <li>- economic freedom cannot be freedom from economic care/range of choices (130)</li> <li>- individual is the <i>means</i> to the end (society), not the end (134)</li> <li>- competition is the only method that can coordinate human affairs (139)</li> <li>- liberalism allows for a certain level of sustenance for all (144)</li> <li>- private property helps guarantee freedom, both for those that own property and those that don't</li> <li>- must limit power, even for desirable purposes</li> </ul>
<i>The Use of Knowledge in Society</i> F. A. Hayek	<ul style="list-style-type: none"> <li>- the true economic problem in society is how to use knowledge (157)</li> <li>- Not <i>whether</i> to plan, but <i>who</i> should plan (158)</li> <li>- Knowledge problem must be solved by decentralization; role of “man on the spot” and how he fits into the whole (169)</li> <li>- Prices help solve the information problem (161)</li> <li>- Experts lack knowledge of how markets actually work (163)</li> </ul>
<i>Liberalism: The Classical Tradition</i> Ludwig von Mises	<ul style="list-style-type: none"> <li>- equally distributing wealth destroys the incentive to work, which leads to less total wealth (167)</li> <li>- luxury consumption provides industry with stimulus to discover new things (168)</li> <li>- The Luxury of Today is the Necessity of Tomorrow</li> </ul>
<i>Capitalism and Freedom</i> Milton Friedman	<ul style="list-style-type: none"> <li>- economic freedom is a necessary pre-requisite for political freedom (196, 198)</li> <li>- coordination of economic activity can be done in two ways: central direction through coercion, or voluntary cooperation in the marketplace (201)</li> <li>- choice protects actors in the market from coercion (203)</li> <li>- role of government is to determine the “rules of the game” and to referee the game</li> </ul>

<p><b>Why might socialism appear to be an effective way to allocate scarce resources?</b></p> <p><i>Road to Serfdom:</i></p> <ul style="list-style-type: none"> <li>- Idea of organization (124)</li> <li>- <b>Desire for equality; freedom from necessity and limits (130)</b></li> <li>- <b>It will help the “general welfare” (131)</b></li> <li>- <b>Tasks could be delegated to experts (131)</b></li> <li>- Giving up economic cares will allow people to pursue higher things in life (141)</li> <li>- <b>Decrease high prices from capitalism (143)</b></li> <li>- Planning for equality (2<sup>nd</sup> type of security) (144)</li> <li>- <b>Striving for security (146)</b></li> </ul> <p><i>Use of Knowledge in Society:</i></p> <ul style="list-style-type: none"> <li>- People don’t actually understand how markets work</li> </ul> <p><i>Liberalism: The Classical Tradition</i></p> <ul style="list-style-type: none"> <li>- <b>Inequality of distribution of wealth is seen as a problem: “The way out is not far to seek: the equal distribution of all wealth.” (167)</b></li> </ul>
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After looking at the main ideas above, and considering other material we studied, fill in the chart below.

	<b>Market Economy</b>	<b>Command Economy</b>
<b>Advantages (Actual and Perceived)</b>		
<b>Disadvantages (Actual and Perceived)</b>		

**How the Government Influences the Economy**

1) List the four Factors of Production and give an example of each.

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_
- d) \_\_\_\_\_

2) What are the Three Key Economic Goals and Name the Related Economic Indicator

Key Economic Goal	Economic Indicator

3) Write the formula for GDP and define each component (i.e., what does each letter stand for)

- Formula: \_\_\_\_\_
- C: \_\_\_\_\_
- I: \_\_\_\_\_
- G: \_\_\_\_\_
- NX: \_\_\_\_\_

4) List the major types of taxes at the federal level

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

5) List the major types of taxes at the state level

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

- 6) What are the national government's four largest expenditures?
  - a) \_\_\_\_\_
  - b) \_\_\_\_\_
  - c) \_\_\_\_\_
  - d) \_\_\_\_\_
  
- 7) What is the current federal debt? \_\_\_\_\_
  
- 8) What are the three main types of market failures regulations seek to correct?
  - a) \_\_\_\_\_
  - b) \_\_\_\_\_
  - c) \_\_\_\_\_
  
- 9) Give an example of a negative externality: \_\_\_\_\_

**Fiscal and Monetary Policy**

Policy Makers with state power want to use their powers in an effort to achieve the three goals above. They have two choices:

A: Expansionary Policy

B: Contractionary Policy

- 10) When do policy makers pursue Expansionary Policy?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
- 11) When do policy makers pursue Contractionary Policy?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
  
- 12) How would a policy maker use fiscal policy to pursue an Expansionary Policy?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

13) How would a policy maker use fiscal policy to pursue a Contractionary Policy?

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14) How would a policy maker use monetary policy to pursue an Expansionary Policy?

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15) How would a policy maker use monetary policy to pursue a Contractionary Policy?

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16) List two problems/challenges with implementing Fiscal Policy?

a) \_\_\_\_\_  
\_\_\_\_\_

b) \_\_\_\_\_  
\_\_\_\_\_

17) Name two problems/challenges with implementing Monetary Policy?

a) \_\_\_\_\_  
\_\_\_\_\_

b) \_\_\_\_\_  
\_\_\_\_\_



Friday, May 22 – Minor Assessment

For Questions #1-12, please circle the appropriate answer(s). *Note, other than Question #4, there is only one answer per question.*

1	<p>Economics is the study of scarce resources that have _____ uses.</p> <p>(a) Limited                  (b) Unlimited                  (c) Alternative                  (d) Virtuous                  (e) None of the above</p>	
2	<p>Refer to the diagram to the right. The equilibrium price and quantity in this market will be:</p> <p>(a) \$1.00 and 200                  (b) \$1.60 and 130                  (c) \$.50 and 130                  (d) \$1.60 and 290                  (e) None of the Above</p>	
3	<p>Refer to the diagram to the right. A price floor of \$60 in this market will result in:</p> <p>(a) Equilibrium                  (b) A Shortage of 50 units                  (c) A Surplus of 50 units                  (d) A Surplus of 100 units                  (e) A Shortage of 100 units</p>	
4	<p>Which of the following are characteristics of a Market Economy: (circle <u>ALL</u> that apply):</p> <p>(a) Produce only what they need                  (b) The central plan sets the priorities for the production of all goods and services                  (c) Freedom of Choice                  (d) Rely on barter                  (e) Limited Government                  (f) The government creates a central economic plan                  (g) Competition                  (h) The government creates laws, regulations, and directives to enforce the central plan</p>	
5	<p>The three key economic goals are:</p> <p>(a) Price Stability, Low Unemployment, Balanced Budget                  (b) Price Stability, High/Sustained Economic Growth, Balanced Budget                  (c) Balanced Budget, Low Unemployment, High/Sustained Economic Growth                  (d) Price Stability, Low Unemployment, High/Sustained Economic Growth                  (e) None of the Above</p>	

6	<p>The US Constitution promotes:</p> <ul style="list-style-type: none"> <li>(a) A Command Economy</li> <li>(b) A Market Economy</li> <li>(c) A Traditional Economy</li> <li>(d) It Contains No Economic Provisions</li> </ul>
7	<p>According to Milton Friedman, Economic Freedom is a _____ condition for Political Freedom but not a _____ condition.</p> <ul style="list-style-type: none"> <li>(a) Sufficient...Necessary</li> <li>(b) Necessary...Sufficient</li> <li>(c) Pre-....Sufficient</li> <li>(d) Sufficient....Pre-</li> <li>(e) None of the Above</li> </ul>
8	<p>Over the past 100 years, what has NOT been the result of highly socialistic economic policies adopted by countries such as Venezuela, China and USSR?</p> <ul style="list-style-type: none"> <li>(a) Mass Starvation leading to the death of over 100 million people</li> <li>(b) Economic Prosperity</li> <li>(c) Mass emigration from the country</li> <li>(d) Shortages of basic necessities</li> <li>(e) Authoritarian leaders who suppressed the political freedoms of the average citizen</li> </ul>
9	<p>How can the government theoretically use fiscal policy to help <b>expand</b> the economy?</p> <ul style="list-style-type: none"> <li>(a) Raise business taxes to reduce business investment, thus decreasing aggregate demand</li> <li>(b) Cut income taxes to spur household consumption, thus increasing aggregate demand</li> <li>(c) Raise income taxes to reduce household consumption, thus decreasing aggregate demand</li> <li>(d) Decrease government spending to decrease government purchases/transfers, thus decreasing aggregate demand</li> </ul>
10	<p>How can the government theoretically use monetary policy to help <b>contract</b> the economy?</p> <ul style="list-style-type: none"> <li>(a) Lower interest rates to spur business loans and thus business investment, thus increasing aggregate demand</li> <li>(b) Raise interest rates to reduce business loans and thus business investment, thus decreasing aggregate demand</li> <li>(c) Lower interest rates to spur personal loans and thus household consumption, thus increasing aggregate demand</li> <li>(d) Raise interest rates to reduce personal loans and thus household consumption, thus decreasing aggregate demand</li> <li>(e) "B" and "D"</li> </ul>

11	<p>The United States has decided to increase the tariffs on steel imported from foreign nations. Who benefits from these increased tariffs?</p> <ul style="list-style-type: none"> <li>(a) Consumers who buy steel</li> <li>(b) Car companies who use steel to build cars</li> <li>(c) Domestic steel companies and their workers</li> <li>(d) Foreign producers of steel</li> <li>(e) Everyone benefits from tariffs</li> </ul>
12	<p>Why do nations trade with each other?</p> <ul style="list-style-type: none"> <li>(a) Trade allows stronger countries to exploit weaker countries through non-violent means.</li> <li>(b) Trade permits countries to use up their unlimited resources</li> <li>(c) Trade allows countries to acquire goods and services, often natural resources or raw materials, that it does not have available to them.</li> <li>(d) Trade allows countries to obtain products that other countries may produce less efficiently and therefore are more costly.</li> <li>(e) None of the above.</li> </ul>

**QUOTE RECOGNITION**

Identify which of the following authors wrote which quote below. Note an author can be used once, twice or not at all.

- A. Ludwig von Mises
- B. Fredrick Hayek
- C. Adam Smith

12. \_\_\_\_\_ “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.”

13. \_\_\_\_\_ “This is the course of economic history. The luxury of today is the necessity of tomorrow.”

14. \_\_\_\_\_ “...and by directing hat industry in such a manner as its produce may be of greatest value, he intends only his own gain, and he is in this, as in many other cases, led my an invisible hand to promote an end which was not part of his intention.”

15. \_\_\_\_\_ “They do not realize that democratic socialism, the great utopia of the last few generations, is not only unachievable, but that to strive for it produces something utterly different – the very destruction of freedom itself. As has been aptly said: ‘What has always made the state a hell on earth has been precisely that man has tried to make it his heaven.’”

16. Define the term “Scarcity”

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17. Define the term “Comparative Advantage”

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18. In a voluntary exchange of goods/services, where private property rights are protected, who benefits and why?

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19. What are the benefits of private property? (You do not have to cite a specific author, and can draw from any author, lesson or idea we have studied.)

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