

**CHAPTER
5**

Economic Principles

Part 1: Content Review

Matching

Write the letter for the correct term for each definition on the line provided.

- | | |
|--|---|
| <p>_____ 1. Economic principle that states that the price of a product is determined by the relationship between the supply of a product and the demand for the product.</p> <p>_____ 2. Amount of work a person can do in a specific amount of time.</p> <p>_____ 3. Tools and machinery used to produce goods or provide services.</p> <p>_____ 4. Work performed by people in businesses.</p> <p>_____ 5. Consists of the transportation systems and utilities necessary for a modern economy.</p> <p>_____ 6. Type of economy in which both the government and individuals are involved in making economic resource decisions.</p> <p>_____ 7. Raw material found in nature, such as soil, water, minerals, plants, and animals.</p> <p>_____ 8. Value of the next-best option that was not selected.</p> <p>_____ 9. Branch of economics that studies human behavior and choices that relate to the economic decisions of individuals and businesses.</p> <p>_____ 10. Economic resource a nation uses to make products and supply services for their citizens.</p> | <p>Terms</p> <p>A. capital</p> <p>B. factor of production</p> <p>C. infrastructure</p> <p>D. labor</p> <p>E. microeconomics</p> <p>F. mixed economy</p> <p>G. natural resource</p> <p>H. opportunity cost</p> <p>I. productivity</p> <p>J. supply and demand</p> |
|--|---|

Completion

Fill in the blanks with the term that best completes each sentence.

Terms

- | | | |
|-----------------|------------------|---------------------|
| command economy | economic system | scarcity |
| economic input | entrepreneurship | technology |
| economic output | land | traditional economy |
| economics | | |

- The science that deals with examining how goods and services are produced, sold, and used is _____.
- _____ is the use of science to invent useful things or to solve problems.

3. All the goods and services produced by an economic system during a specific time is _____.
4. In a(n) _____, the government makes all the economic decisions for its citizens.
5. All a nation's natural resources are known as _____.
6. _____ is the willingness and ability to start a new business.
7. An economy in which economic decisions are based primarily on a society's values, culture, and customs is a(n) _____.
8. The resources used to make products are _____.
9. A(n) _____ an organized way in which a nation chooses to use its limited resources to create goods and services.
10. When demand is higher than the available resources, this is known as _____.

True or False

Decide whether each statement is true or false. If the statement is true, write *True* on the line provided. If the statement is false, write *False* and rewrite the statement to make it true.

1. The factors of production are land, labor, capital, and partnerships.

2. Every good produced uses natural resources in some form.

3. Capital goods are those products businesses use to resell to consumers.

4. Command economies are found in communist and democratic societies.

5. A market economy is one in which individuals are not free to make their own economic decisions.

Part 2: Concept Review

Economic Input and Output

Read the narrative that follows. Then, using complete sentences, answer the following questions about the various economic transactions that occurred in the narrative.

Name _____

Janista owns a successful event-planning business. She specializes in celebration events, such as weddings and reunions. She also plans corporate events and events for nonprofit organizations that raise funds and awareness for charity.

Recently, Janista was hired to organize and design a gala reception for the local homeless shelter. The process started by using a standard checklist she developed for organizing events. She began by interviewing the client to determine exactly what type of event her client envisioned. Next, she conducted research, which included locating vendors and suppliers needed for the event and scouting locations at which the event might be held.

Based on her research, Janista wrote a proposal using specially developed software that met her needs and those of her clients. She then met with her client and presented several options for an event design.

After the client made a decision regarding the venue, Janista secured the location for the event and hired the necessary staffing. She also contacted a caterer for the food, florist for floral arrangements, printer for the invitations, and a DJ to act as an emcee and provide music. In addition, she wrote and released a press release to publicize and promote the gala reception.

When she presented the invoice for payment to her client, Janista included a customer-satisfaction survey. She will take the results and incorporate suggestions into planning future events.

1. What is Janista’s economic input in land and labor?

2. What is Janista’s economic input in capital goods and capital infrastructure?

3. What is Janista’s economic input in capital technology?

4. What is Janista’s economic output?

5. Provide an example of customer satisfaction. What could Janista do to improve customer satisfaction?

Economic Systems

Read each of the following scenarios. Then, using complete sentences, write your response to each of the following questions in the space provided.

1. When the Berlin Wall came down, Otto and Judith moved to the West to get higher-paying jobs. After a few months, they missed the way they used to live. "Life is too hard now," Otto said. "The jobs are very competitive, and we must work longer and harder than before. Everything is expensive. When we need something, we pay or go without." Judith adds, "Before, our living conditions weren't very nice, but life was easier. The government provided jobs, housing, and medical care for us. Here, you have to search and compete for everything." Which type of economy were Otto and Judith used to? Explain your reasoning to support your answer.

2. Nikolai's grandparents, Alexander and Ella, live in a government-owned building. They receive a pension that covers their living expenses, and they have free health care. They live on the ninth floor. Even though Alexander and Ella cannot climb stairs, the elevator makes it easy to get to their floor. However, when the elevator breaks down, they are stranded in their apartment for weeks or even a month. If they are lucky, a neighbor might bring them a loaf of bread. Nikolai's father wants his parents to join him in the United States, but they would lose their pensions. Alexander and Ella do not want to be a burden to their son and his family. In which type of economy do Alexander and Ella live? Explain your reasoning to support your answer.

3. Jamal and his father, Franklin, have a painting and wallpapering business. They have completed many residential and commercial projects for Shawna, Jamal's sister, who is a successful interior decorator. Shawna's clients like that she takes care of the painting and wallpapering because the results are always excellent. Much of her success depends on the excellent work of her father and brother. So, Shawna has suggested they go into business together. They agree. A lawyer draws up the incorporation papers. In which type of economy do Jamal, Franklin, and Shawna live? Explain your reasoning to support your answer.

4. Like most people in their country, Duong and his mother are poor. When he was eight, Duong went to live on the streets so he would not be a burden to his mother. His future was bleak. Ten years later, when he was a teenager, a social worker taught Duong to make exquisite boxes and candleholders. Now, a nonprofit export company helps Duong sell his work in other countries. Duong supports

Name _____

both himself and his mother. What type of economy did Duong probably live in when he was young? Which type of economy is he living in now? Explain your reasoning to support your answer.

5. Anna is the mother of twins. For two years after her children were born, she was able to stay home with them while receiving close to her full income from the government. Now, she has returned to teaching physics at a local college. Each morning, she leaves her toddlers at the childcare center in her neighborhood. Anna pays nothing for her children's care, but like others in her country, she and her husband pay a high rate of taxes. In which type of economy do Anna and her family live? Explain your reasoning to support your answer.

Market Forces

Section A

Market forces of supply and demand, profit, and competition can affect the economic activity of individuals and businesses. Read each scenario that follows. Then, using complete sentences, answer the following questions.

- A television advertisement shows a group of people laughing as they ride on galloping horses along a white-sand beach. One person turns to the camera and says, "I had no idea that travel would be so much fun!" The voice-over says, "Don't miss out on the fun you could be having. Call a travel agent today."
 - What product is being advertised?

 - Which category of spending, as measured by the GDP, does this represent?

 - How might this advertisement affect demand?

- Crystal and Lloyd have two children. Before the children were born, Crystal worked as the office manager for a large real estate firm. For several years after her children were born, Lloyd was a stay-at-home dad. However, consumer product prices started rising, and Crystal's income could no longer support everything that the family wanted and needed. Lloyd returned to the workforce.
 - What changed in Lloyd's situation?

B. What caused the change?

Section B

How might the demand for a product change if a large number of unemployed workers returned to the workforce? Read the following list of products. For each product listed, state whether demand would rise or fall if more workers returned to the workforce and explain your choice.

1. Cars and car maintenance

2. Childcare

3. Home cooking supplies

4. Home security systems

5. Restaurant meals

Part 3: Marketing Math

Rounding Numbers in Marketing

Many marketing activities involve the use of large numbers. In many situations, exact numbers are important. However, a marketer also needs to know how and when to round numbers. For example, the US population estimate for July, 2017 was 325,487,961. This number is an estimate because the population is always changing. For that reason, an exact number is never completely accurate. As a result, when speaking about population, a rounded number is often more useful.

Name _____

Section A

Complete the following rounding chart for the number 325,487,961. This number is the population estimate of the United States for July, 2017.

Round to Place Value		Rounded Number
1.	Hundred millions	
2.	Ten millions	
3.	Millions	
4.	Hundred thousands	
5.	Ten thousands	
6.	Thousands	
7.	Hundreds	
8.	Tens	

Section B

Complete the following rounding chart for the number 36,645,154. This number is the population estimate of Canada for July, 2017.

Round to Place Value		Rounded Number
1.	Ten millions	
2.	Millions	
3.	Hundred thousands	
4.	Ten thousands	
5.	Thousands	
6.	Hundreds	
7.	Tens	

Part 4: Be Your Own Leader**Team Building**

Read the leadership scenario that follows. Then, using complete sentences, answer the following questions.

As chairperson of the service-learning project for her school's business program, Abby has been struggling to complete the project with her team. When asked to be the chairperson, she accepted immediately and went right to work deciding what needed to be done, who needed to do each task, and how each task would be accomplished. She even put together a detailed calendar with specific tasks. She then asked four of her friends to join her on the team, and they agreed. During the last two weeks, her friends have become distant and she does not understand why. She told them exactly what to do and when to do it. When they were not getting things done, Abby jumped in and offered to do the tasks for them. Secretly, she knew the project would be better if she just did it herself.

At the next status meeting, the sponsoring teacher was in attendance. To her surprise, the members of the team said they would no longer be working on the project. They shared that they did not feel like part of a team and felt they were only asked to be on the team so Abby would not have to do the tasks she did not want to do. They also said they thought Abby was doing the project to get recognition, not to make a difference in the community.

Abby felt blindsided and asked to meet with the teacher after the meeting. Abby did not realize how she was treating her teammates and was determined to be a better leader, team player, and friend. She has no plans to resign, but needs your help in deciding what to do in the short and long terms in order to get her team back on the right course.

1. What do you think are main issues that Abby should address with the team immediately?

2. Create a short-term plan for Abby. What are two or three things that she can do in the next two weeks to repair the damage and begin to build a cohesive and effective team?

3. Create a long-term plan for Abby. What are two or three things that she could do in the next semester to continue developing camaraderie and cohesiveness in the team?

4. As a leader, what would you have done differently in the beginning to develop a cohesive team that would work more effectively together?

5. What leadership advice would you offer to Abby?
