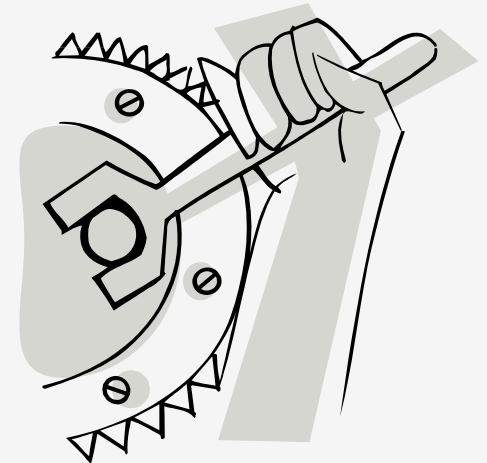


Section Two: Economic Resources

I. Factors of Production (*resources necessary to produce goods and services*)

a. Natural Resources: includes everything in nature that makes production possible (energy, wood, food)

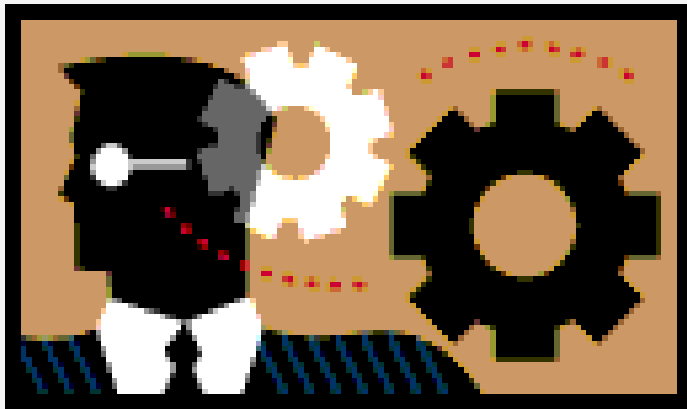
b. Labor: humans are an essential part of the production process (or are they...? Will / could humans be replaced?)



Section Two: Economic Resources

c. Capital: and human made instruments that assist in creating goods and services must be taken into account

(Examples: _____?)



d. Entrepreneurs: they are risk takers who hope to make a profit (money left over after the bills are paid)

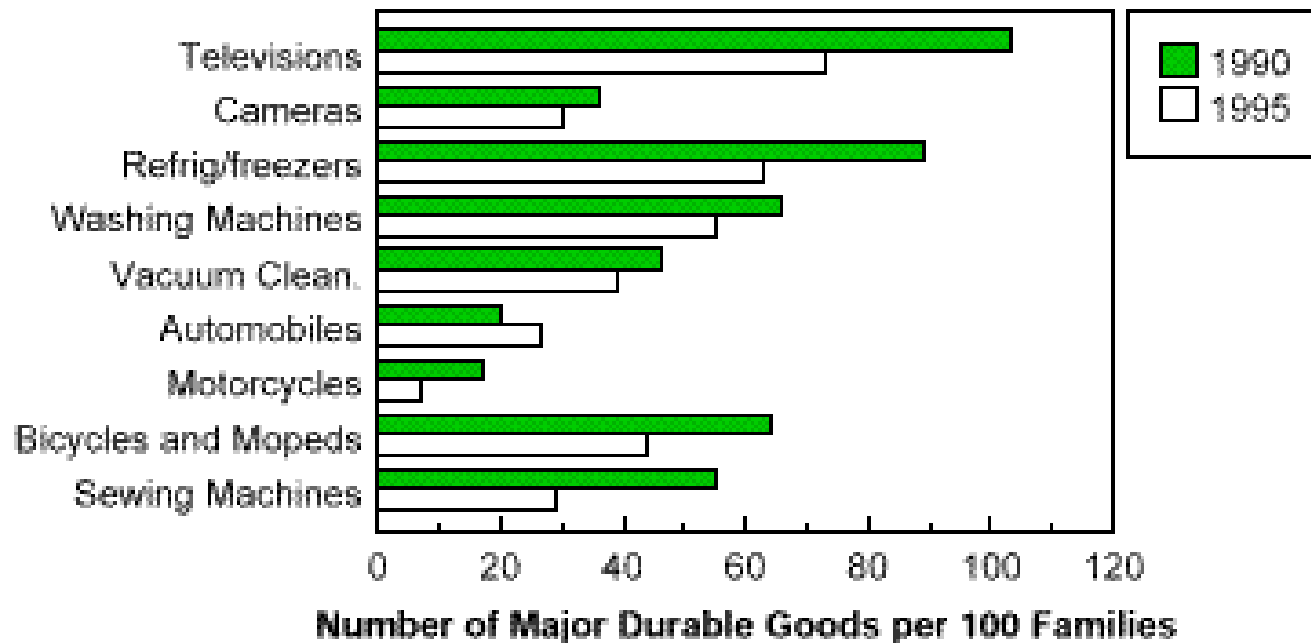
Section Two: Economic Resources

II. Measuring Economic Performance

a. Gross Domestic Product (GDP): total value in money of all final goods and services produced within the nation each year; computed by multiplying the number of item by the average price and then adding them up (does not include outsourced goods; *does* include foreign goods manufactured in US; does not measure quality)

b. Standard of Living: we rank and rate nations based on what their people are able to buy... disposable income...

Figure 1. Consumer Durables Per 100 Families, 1990 and 1995



Source: Ministerstvo statystyky Ukrayiny.

Ukrayina u tsyfrakh, 1995, Kyiv, Tekhnika 1996, p. 106.

Section Three: Economic Activity and Productivity

- I. **Circular Flow of Economic Activity**
(shows the relationship between the decision makers and the flow of resources, goods, services, and money)
 - a. **Markets:** any location where buyers and sellers can interact is considered a market
 - i. **Factor Markets:** where factors of production are exchanged (ex.?)
 - ii. **Product Markets:** where the final goods/services are sold (ex?)



Section Three: Economic Activity and Productivity

b. Consumer Sector: Consumers *make their money in the factor markets and use their money to buy products in the product markets*; largest sector

c. Business Sector: businesses *sell their final products in the product markets to consumers who also provide them with labor (in the factor markets)*; businesses also participate in the ~~product markets.~~



Section Three: Economic Activity and Productivity

d. Government Sector: government provides services in the product markets to consumers even though they rarely make enough revenue to cover their costs (that's why they tax), and consumers provide them with labor in the factor markets; government too purchases items in the product markets; second largest sector

e. Foreign Sector: we buy and sell products with foreign countries



Section Three : Economic Activity and Production)

II. Productivity and Economic Growth

a. Productivity: amount of output produced by a given amount of input in a certain time period; businesses want it to go up without additional cost

b. Specialization: businesses should (and generally do) concentrate on goods and services that can be produced better than anyone else (the competitors); leads to higher productivity



Section Three (Continued): Economic Activity and Production

c. Division of Labor: breaking down a whole job into smaller tasks where each task is performed by different workers; makes use of different skills and abilities because one is allocating time to one task (not to many); increases productivity and makes workers happier / more satisfied

****Productivity tends to increase when businesses invest in human capital (better health care, working hours, higher pay)***



Section Four: The Consumer and the Economy

I. Market Economy – The Business

a. **What is it?...** system in which individuals own the factors of production and make economic decisions

b. Characteristics

i. **Capitalism:** system in which *individuals* invest their money into a business (property and factors of production) hoping to earn a profit

Enjoy
Capitalism



Section Four: The Consumer and the Economy

ii. Free enterprise: any system in which businesses compete with one another for profit with little government interference (keeps production costs low, quality of goods high, and least efficient producers out)



iii. Economic Freedom: consumer sovereignty (consumers choose what they want to purchase which in turn helps producers determine what they want to produce) and business can choose what they want to sell



Section Four: The Consumer and the Economy



iv. Profit: the money earned after the costs of production have been paid; driving force to encourage risk taking by entrepreneurs

c. Disadvantage: if an entrepreneur fails, they bear the cost of the loss