**Economic Perspectives Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Chapter 1 –Section 2 Date \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Period \_\_\_\_\_\_**

Main Idea: *Economic decisions always involve trade-offs that have costs*

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: sacrificing one good or service to purchase or produce

another

Example:

## The Cost of Trade-Offs

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: the value of the next best alternative given up for the alternative that was chosen

Example:

Opportunity costs happen at all levels, including national government.

*Practice:*

|  |  |  |
| --- | --- | --- |
|  | Economic Decision | Likely Opportunity Cost |
| Individual | Gets second job |  |
| Family | Purchases car |  |
| Business | Paves parking lot |  |
| Government | 90% spending in stimulus package |  |

## Production Possibilities Curve

*Definition:* graph showing the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that can be produced from a fixed amount of resources in a given period of time.

Can help determine how much of each item to produce, thus revealing the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_and\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ involved in each decision