

What Is Economics?

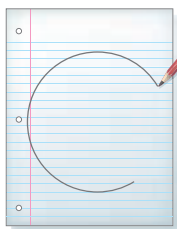
TOPIC SUMMARY

Economics is the study of how we make decisions in a world of limited resources. Economics examines both needs and wants. Microeconomics examines the choices of businesses and individuals. Macroeconomics studies the choices of governments and industries. Economic decisions are affected by factors such as scarcity. In making economic decisions, individuals face trade-offs. Considering opportunity costs and performing a cost-benefit analysis may be helpful to consumers when making economic choices. Industries make economic decisions by considering the different ways of figuring costs, such as fixed costs or variable costs. Economists use cost-benefit analyses to examine the relationship between product costs and the benefits of purchasing.

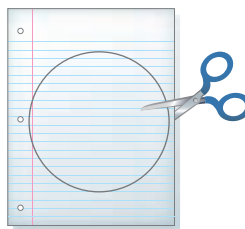
FOLDABLES™ Study Organizer

Defining Study Foldable *This Foldable will help students define the content vocabulary that students will encounter in this topic.*

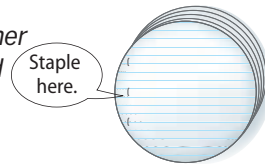
Step 1 Stack four sheets of paper, one on top of the other. On the top sheet of paper, trace a large circle.



Step 2 With the papers still stacked, cut along the circle line you traced.



Step 3 Staple the paper circles together at one point around the edge.



Step 4 Label the front circle Content Vocabulary.



Reading and Writing

Record the content vocabulary terms with definitions for each lesson of the chapter on the fronts and backs of the sheets of your booklet for easy reference.

TOPIC ACTIVITY IDEAS

Reviewing

After students have completed the Foldable activity above, have each one use the content vocabulary terms to create a quiz. Students may create fill-in-the-blank, matching, or other appropriate vocabulary quizzes. Have pairs of students exchange and complete quizzes.

MAKING DECISIONS

Have students use the Foldable to highlight important issues related to individual economic decisions. First, ask students to think of two items, one of which is a need and the other of which is a want. Then have students write “Cost-Benefit Analysis: NEED” on the cover of the Foldable and describe the marginal benefits of acquiring the need, using the right-hand pages to explain the trade-offs they might make to buy this item. Then have students turn the Foldable upside down and label the back cover “Cost-Benefit Analysis: WANT.” Have them repeat the process, but direct them to use the remaining blank sheets to describe a decision about a want. When students have finished their work, have a class discussion about the decision-making process.



IDENTIFYING

Have students use this Foldable to examine the various costs and revenues that play a part in running a business. Students should note the different types of costs that businesses have, listing costs on the front of each page and defining them on the backs of the pages. Students should also list and define the types of revenues businesses have. When students have finished their work, you may wish to lead a class discussion about the costs and benefits of owning a business.

Student Study Tip

Point out the number of ways in which the word *economy* is used *economist, macroeconomics, microeconomics, economic system, economic model, economic decisions, and economic trade-off*. Have students create a web organizer based on the word *economy* that defines these words and phrases and shows the relationships among them.