

CHAPTER 5

Economic Principles

Sections

- 5.1 Introduction to Economics
- 5.2 Economic Systems and Market Forces



College
and Career
Readiness

Reading Prep

Before reading this chapter, read the opening pages for this unit and review the chapter titles. These can help prepare you for the topics that will be presented in the unit. What do the opening pages for the unit tell you about what you will be learning?

Check Your Marketing IQ

Before you begin the chapter, see what you already know about marketing by taking the chapter pretest. The pretest is available at www.g-wlearning.com/marketing/.

DECA Emerging Leaders

Sports and Entertainment Marketing Team Decision-Making Event, Part 1

Career Cluster: Marketing

Instructional Area: Economics

Knowledge and Skills Developed

Participants will develop many 21st century skills desired by today's employers in the following categories:

- communication and collaboration
- creativity and innovation
- critical thinking and problem solving
- flexibility and adaptability
- information literacy
- initiative and self-direction
- leadership and responsibility
- productivity and accountability
- social and cross-cultural skills

Specific Performance Indicators

- Explain the concept of economic resources.
- Explain the principles of supply and demand.
- Discuss the global environment in which businesses operate.
- Identify factors affecting a business's profit.
- Explain factors affecting pricing decisions.
- Describe factors used by businesses to position corporate brands.
- Demonstrate connections between company actions and results.

Purpose

Designed for a team of two DECA members, the event measures the team's ability to explain core business concepts in a case-study format through a role-play. This event consists of a 100-question, multiple-choice, cluster exam for each team member and a decision-making case study situation. The Team Decision-Making Event provides an opportunity for participants to analyze one element or a combination of elements essential to the effective operation of a business in the specific career area presented as a case study.

For the purposes of this text, you will be presented with the material for this event in two parts. Part 1 presents the knowledge and skills assessed and an overview of the event's purpose and procedure. Part 2 presents the remaining procedures and the event situation.

Procedure, Part 1

1. For Part 1 in this text, read both sets of performance indicators. Discuss these with your team members.
2. If there are any questions, ask your instructor to clarify.

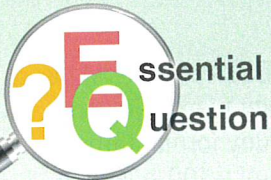
Critical Thinking

1. What is the significance of performance indicators while preparing for the event?
2. What is your team's strategy to effectively communicate your response to the performance indicators?

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Section 5.1



Why must people make choices?

Introduction to Economics

Learning Objectives

- LO 5.1-1 Explain the concept of economics.
- LO 5.1-2 Describe the factors of production.
- LO 5.1-3 Explain the economic problem.

Key Terms

economics	infrastructure
macroeconomics	technology
microeconomics	entrepreneurship
factors of production	scarcity
labor	trade-off
productivity	opportunity cost
capital	systematic decision-making
capital goods	

LO
5.1-1

Economics

Economics is a science that examines how goods and services are produced, sold, and used. It examines how people, governments, and businesses make choices about using limited resources to satisfy unlimited wants. The study of economics is divided into two branches: macroeconomics and microeconomics.

Macroeconomics

Macroeconomics is the branch of economics that studies human behavior and choices that relate to the entire economy of a nation. The prefix *macro* means *large*. Macroeconomics looks at the entire economy as a whole. It concentrates on a nation's system of producing and distributing goods. This includes the study of broad factors, such as the total output and growth of an economy, inflation, and unemployment. Macroeconomics also studies economic cycles and how the government tries to manage the economy through policies related to spending, taxes, and the money supply.

Microeconomics

Microeconomics is the branch of economics that studies human behavior and choices that relate to the economic decisions of individuals and businesses. The prefix *micro* means *small*. It focuses on such things as how individuals decide



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Economics examines how people, governments, and businesses make choices about using limited resources to satisfy unlimited wants. *What economic choices have you made recently?*

how to spend and invest their money. It also studies how businesses try to earn profits and compete against each other.

LO 5.1-2 Factors of Production

Factors of production are the economic resources a nation uses to make goods and supply services for its population. The factors of production are land, labor, capital, and entrepreneurship.

Think about goods that you use often, such as athletic shoes. Many economic resources were used to create them: cotton, rubber, shoe-fabricating machines, people operating the machines, and a business owner. These resources represent the four factors of production: land, labor, capital, and entrepreneurship, as shown in Figure 5-1. In this example, cotton and rubber represent the land resource.

Workers provide the labor. The shoe-fabricating machines are the capital. The business owner represents entrepreneurship by organizing the other three economic resources to operate the business.

Land

Land includes all of a nation's natural resources. *Natural resources* are raw materials found in nature. These include soil, water, minerals, plants, and animals. Every good produced uses natural resources in some form. Many natural resources are scarce and take a very long time to replenish.

Natural resources are not equally distributed among nations. Even developed nations like the United States have limited natural resources. Some are found only in certain parts of the world. For example, South Africa has mines producing great quantities of diamonds and other gemstones. While the United States is rich in minerals like coal, lead, and zinc, it does not have any profitable diamond mines.

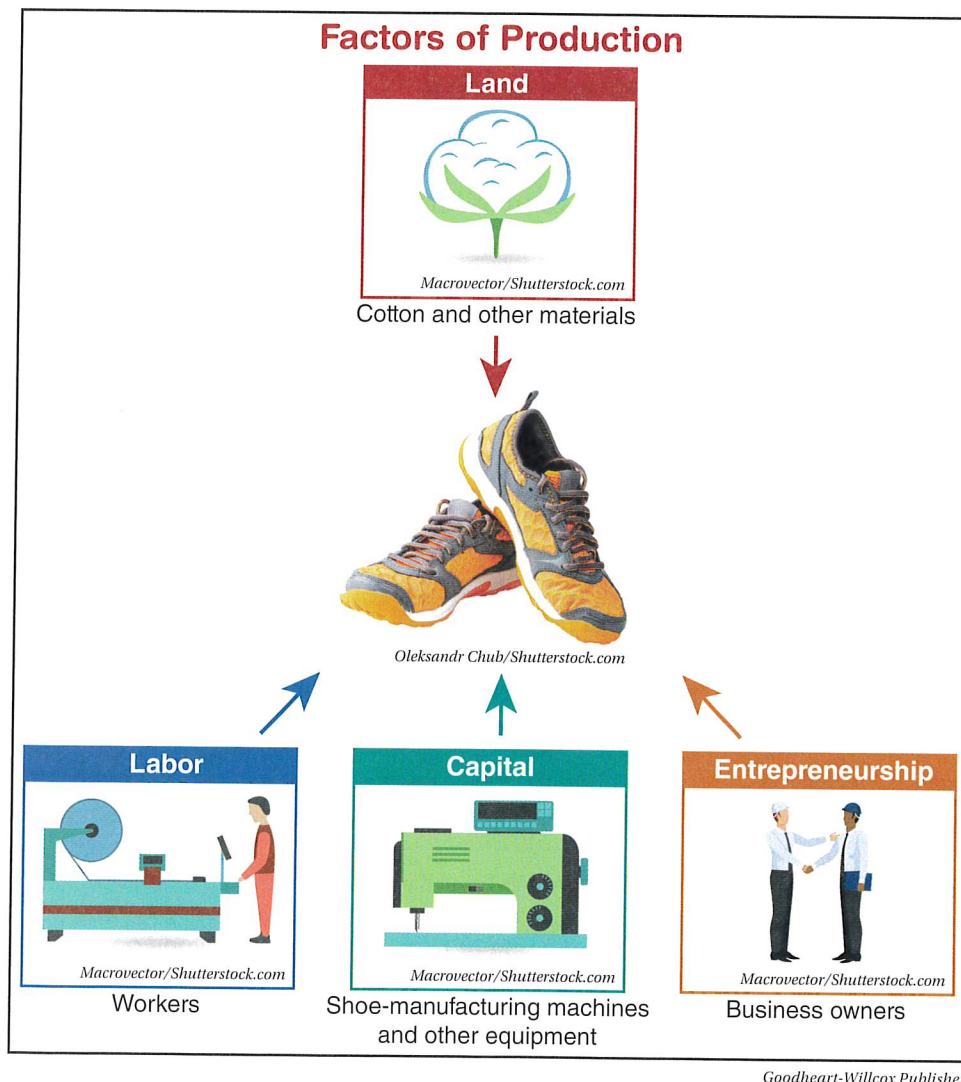


Figure 5-1 Production of athletic shoes requires land, labor, capital, and entrepreneurship.

The size of a nation can also affect the quantity of a nation's available natural resources. For example, Japan is four percent the size of the United States. Therefore, it has much fewer natural resources and relies heavily on imports for these materials.

Labor

Labor is the work performed by people in businesses. Another term for labor is *human resources*.

Productivity is the amount of work a person can do in a specific amount of time, usually an hour. A nation can make up for a lack of natural resources if its people are very productive. Because Japan is a geographically small country, it has proportionately few natural resources. However, it has the world's third-largest economy. This is because Japanese workers in their largest industries, automobile and electronics manufacturing, are highly skilled and very productive.

Capital

As a factor of production, **capital** is all the tools and machinery used to produce goods or provide services. **Capital goods** are those products businesses use to produce other goods. Capital goods are used to make final products, which are then sold to consumers. For example, a shoe-fabricating machine is a capital good because its only purpose



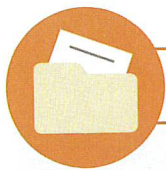
Delmas Lehman/Shutterstock.com

Transportation infrastructure includes highways, seaports, airports, and bridges, like the Sunshine Skyway Bridge in Florida. **What forms of infrastructure exist in your community?**

is to make shoes. The shoes are the final product. Consumers do not buy capital goods, they buy final products.

Infrastructure

Infrastructure is considered a form of capital. **Infrastructure** consists of the transportation systems and utilities necessary in a modern economy. Infrastructure is usually large and cannot be moved from place to place.



Case in Point

Amtrak

In a world where wireless communication technology has become part of everyday life, key components of Amtrak's operations had been left behind. The railway passenger transportation company relied on a paper-based ticketing system in use since the 1800s. Amtrak transports over 30 million passengers each year. Customers voiced frustration about the inefficient system, lack of flexibility, and absence of real-time travel information.

Amtrak responded to their customers by upgrading many of their operational systems. Conductors now have smartphones that connect with the company's databases. This allows them to access real-time passenger manifests to verify seat availability, as well as enter maintenance requests that can be completed at the next station on the line.

To improve the customer experience, Amtrak added on-board Wi-Fi and implemented an eTicketing system. The eTicketing system was piloted on select routes in 2011 and is now accepted on every Amtrak route. Passengers can purchase tickets online and print them at home or present their reservations on a mobile device. Additional online tools include train status updates and the ability to modify reservations. Amtrak integrated technology to meet customer demand, which resulted in greater customer satisfaction, improved customer experience, and more efficient operations.



Marketing Ethics

Integrity

Integrity is defined as the honesty of a person's actions. Integrity and ethics go hand-in-hand in both personal and professional lives. As a leader, a marketing manager helps to establish the reputation of the business. Displaying integrity helps create a positive culture within the business, as well as a positive impression with customers and the community.

Infrastructure provides the foundation on which modern industry is built. *Transportation infrastructure* includes highways, bridges, railroads, public transportation, seaports, and airports. *Utility infrastructure* includes sanitation systems, power plants, water systems, and telecommunications services. Some infrastructure, such as power plants and railroads, is often built and operated by private companies. Other infrastructure, like highways, bridges, and airports, is most often built and operated by the government.

Imagine you are looking for a place to build a factory. You have a choice between two areas. One area has excellent infrastructure. It is close to major highways, railroads, and power plants. The other area has poor highway access and is very far from rail service. Where would you want to build your new factory? Your answer will likely be in the area with the better infrastructure.

Technology

Another form of capital as a factor of production is technology. **Technology** is the use of science to invent useful things or to solve problems. Countries can use early technology or advanced technology. The type of technology used has a major impact on an economy.

Early technology includes the six simple machines: lever, wedge, inclined plane, screw, pulley, and wheel and axle. Machines powered by people or animals are also examples of early technology. Early technology brought about great improvements in productivity during ancient times. However, in modern times, countries that only use early technology struggle to meet the basic needs of food and shelter for citizens.

Advanced technology includes industrial and digital technologies. *Industrial technology* is powered by steam and fuel combustion. For example, automobiles and jets are powered by fuel combustion, as are many factories. *Digital technology* uses electricity to control data. Examples include computers, smartphones, and the Internet. Countries using advanced technologies produce more goods and services than those using early technology.

Entrepreneurship

The final factor of production is entrepreneurship. **Entrepreneurship** is the willingness and ability to start a new business. Entrepreneurs organize the other three factors of production to produce a good or service and earn a profit. They are able to take financial and personal risks necessary to start and run a business.

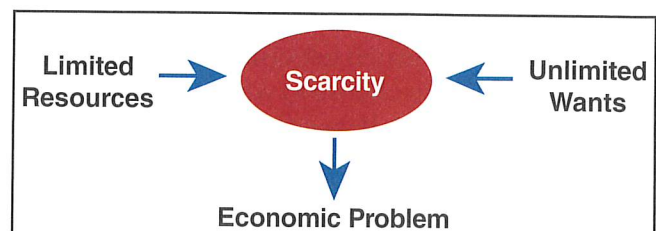
From a small store to a large manufacturer, all businesses are started by entrepreneurs. For example, the entrepreneur Steve Jobs cofounded Apple, Inc. It became one of the most successful corporations in the world. The number and quality of entrepreneurs in a country have a major impact on an economy.

LO
5.1-3

Economic Problem

All economic resources are limited. Individuals, businesses, and governments must constantly make choices about how to use limited resources to satisfy unlimited needs and wants. The *economic problem* states that human wants are unlimited, while resources are limited, as illustrated in Figure 5-2. **Scarcity** develops when demand is higher than the available resources.

Scarce resources limit the quantity of goods and services produced. This means decisions must be made about which goods or services will be created. The problem of scarcity leads to three



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Figure 5-2 The economic problem states that wants are unlimited, while resources are limited.

Three Economic Questions

Economic Question	Related Questions	Examples
What should be produced and how much?	Which goods, services, and ideas should we produce? How much of each product should we produce?	Should we produce consumer products or weapons for the military? Should we grow crops or raise cattle? Should we explore outer space or research a cure for cancer?
How should resources be allocated in production?	Who should produce each type of product? How shall we use our natural resources? What production techniques should be used?	Who should be a doctor and who should be a farmer? Should we generate electricity from coal, oil, or nuclear power? Should natural areas be preserved or used for mining? Should people or computers calculate the payroll?
For whom are the goods and services produced?	How will the nation decide who gets each product? How should products be distributed?	Should the rich get all the products they want? Should the head of the government get whatever he or she wants? How should the nation provide for the poor? How should the country ration scarce resources in times of crisis?

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Figure 5-3 Economic systems develop around the way each country answers the three basic economic questions.

important economic questions every nation must answer, shown in Figure 5-3.

- What should be produced and how much?
- How should resources be allocated in production?
- For whom are the goods and services produced?

Scarcity forces choices to be made. Every economic decision has a cost. Choosing one option means giving up other options that may have been available. A **trade-off** is when something is given up in order to gain something else. When a trade-off occurs, an opportunity cost is created. **Opportunity cost** is the value of the next-best option that was not selected. *Value* is the relative worth of something.

For example, suppose you have two hours of free time. You can watch television or go to work and earn \$20. If you choose to watch television, you will not earn \$20. If you go to work, you will miss your favorite show. In this situation, the opportunity cost of watching television is \$20; however, if you choose to work, the opportunity cost is missing your favorite television show. You make the decision by deciding which one is more valuable to you.

Individuals make economic decisions based on what is most valuable to them. Nations also have many economic needs and wants, but resources are limited. As a result, nations have to make economic choices with bigger opportunity costs.

When making economic decisions, a systematic decision-making process can help identify



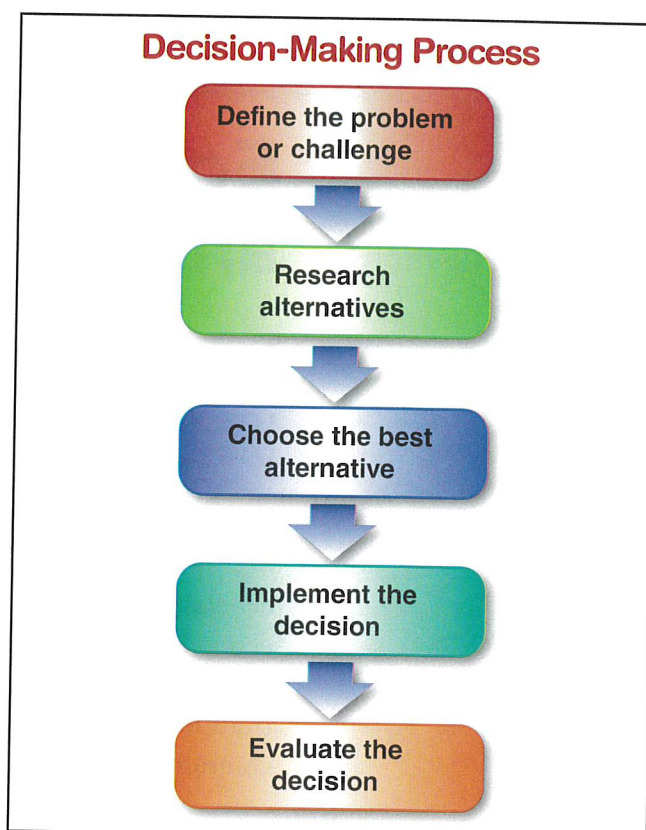
Employability Skills

Self-Management Skills

Self-management skills are the skills that enable an individual to control and make the best use of his or her time and abilities. They are important because they facilitate productivity, help ensure employee success, and provide assurance for an employer that the employee will help the business meet its goals. An individual has complete control over the development and use of self-management skills. Some important self-management skills are emotional control, problem-solving, time management, and goal-setting.

the best option. **Systematic decision-making** is a process of choosing an option after evaluating the available information and weighing the costs and benefits of the alternatives. A systematic decision-making process can be used by both businesses and individuals. The process involves five steps, as shown in the chart in Figure 5-4.

1. *Define the decision to be made.* Have a clear understanding of the end goal. For a business, it may be to offer a new product or change the image of the business. For an individual, it may be a purchasing decision or how to cut expenses.
2. *Explore all alternatives.* Analyze the options available. What is the benefit of each option? What is the disadvantage of each? What is the financial cost of each option?
3. *Choose the best alternative.* After considering all alternatives, decide which option is best. The decision may be a single option or a combination of several options.
4. *Act on the decision.* Carry out the plan.
5. *Evaluate the solution or decision.* Evaluate how effective the choice is in reaching the end goal. Did the plan work? How can it be improved? The evaluation process can help an individual or business stay on track and make better decisions in the future. Evaluation is an ongoing process.



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Figure 5-4 A systematic decision-making process can be helpful when making economic decisions.

Section 5.1 Review

Check Your Understanding

1. What is the difference between macroeconomics and microeconomics?
2. Identify the factors of production.
3. What causes scarcity to develop?
4. What is the result of scarcity?
5. List the steps in the decision-making process.

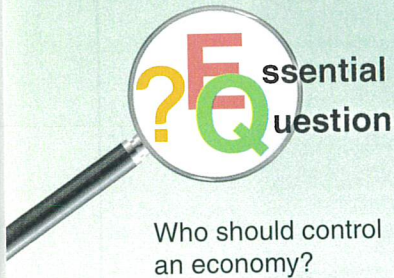
Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add them to your personal glossary.

capital
capital goods
economics
entrepreneurship
factors of production
infrastructure
labor
macroeconomics

microeconomics
opportunity cost
productivity
scarcity
systematic decision-making
technology
trade-off

Section 5.2



Economic Systems and Market Forces

Learning Objectives

LO 5.2-1 Define four economic systems.

LO 5.2-2 Describe market forces in a free-enterprise system.

Key Terms

economic system
economic input
economic output
traditional economy
command economy

market economy
mixed economy
market forces
law of supply and demand
equilibrium

LO
5.2-1

Economic Systems

A *system* is a way to manage, control, or organize something that follows a set of rules. For example, a computer system consists of input, a production mechanism, and output. The information or data keyed into the computer is the input. The production mechanism includes the computer hard drive, software programs, and the printer. The output is the physical or electronic document produced. Figure 5-5 shows simple examples of systems.

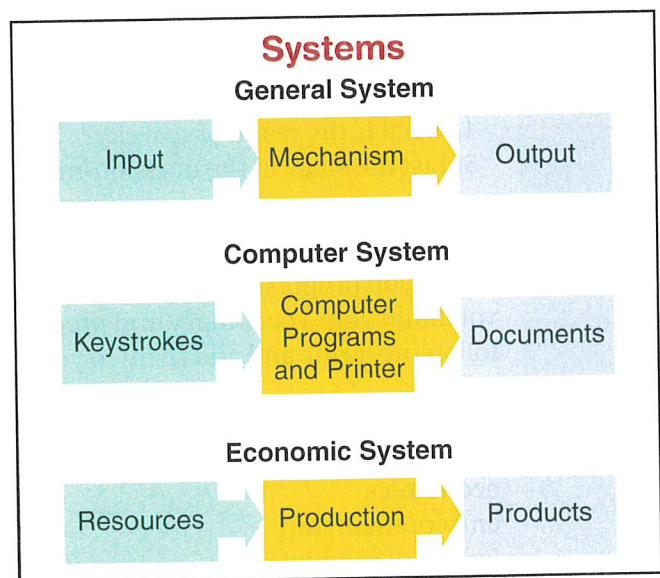
An **economic system** is an organized way in which a nation chooses to use its limited resources to create goods and services that answer the three economic questions.

- What should we produce?
- How should we produce it?
- For whom should it be produced?

Economic systems also have input, production mechanisms, and output. **Economic input** includes the resources used to make products.

Economic output is all the goods and services produced by an economic system during a specific time. A nation's economic system develops around the way it deals with scarcity.

Economists classify economic systems as being a traditional, command, or market economy. However, many economies today are mixed. Mixed economies have elements of both command and market economies.



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Figure 5-5 An economic system turns resources into products.

Traditional Economy

Tradition is a way of thinking, behaving, or acting that has been used by a group of people for a long period of time. A **traditional economy** is one in which economic decisions are based primarily on a society's values, culture, and customs. Elders of the society usually make economic decisions for the group based on tradition. Traditional economies existed early in human history. They are still found today in underdeveloped nations. These economies answer the three economic questions quite differently from other economic systems.

- *What to produce?* Most citizens in a traditional economy have just enough to survive. Food, shelter, and clothing are produced to support the survival of the population. They rely heavily upon the natural resources around them.
- *How to produce it?* Countries with traditional economies typically have large rural populations that rely on farming and hunting activities to produce the products required to meet basic needs. There is usually little to no manufacturing in this type of economy. Any tools or equipment used are typically basic and made using techniques handed down from ancestors.



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Most citizens in a traditional economy produce enough to support the survival of the population. *Why do you think traditional economies still exist?*



Exploring Marketing Careers

Telemarketer

Telemarketing, or personal selling done over the telephone, is a sales tool used by some companies as an alternative to more expensive marketing techniques. Charities also use telemarketing techniques to request donations. The two main types of telemarketers are those who place calls to potential customers, and those who answer calls from customers who are responding to advertisements. Other typical job titles for telemarketers include *telephone sales representative (TSR)*, *telesales specialist*, and *telemarketing sales representative*.

Some examples of tasks that telemarketers perform include:

- Research names and telephone numbers of potential customers from directories, magazine reply cards, and lists purchased from other organizations
- Call businesses or individuals to solicit sales or to request donations for charitable causes
- Read prepared "sales talks" from scripts that describe the products or services they are selling
- Input customer information, including payment information, into computerized ordering systems
- Answer telephone calls from potential customers who are responding to advertisements to "call this number"

Telemarketers need a good understanding of sales and marketing methods and strategies. They should have good speaking skills, including good diction and clear pronunciation, as well as a pleasing speaking voice. Because telemarketers sometimes encounter unpleasant responses, they should have an even temperament and be able to remain calm and pleasant at all times. Many telemarketing jobs require a high school diploma. For more information, access the *Occupational Outlook Handbook* online.

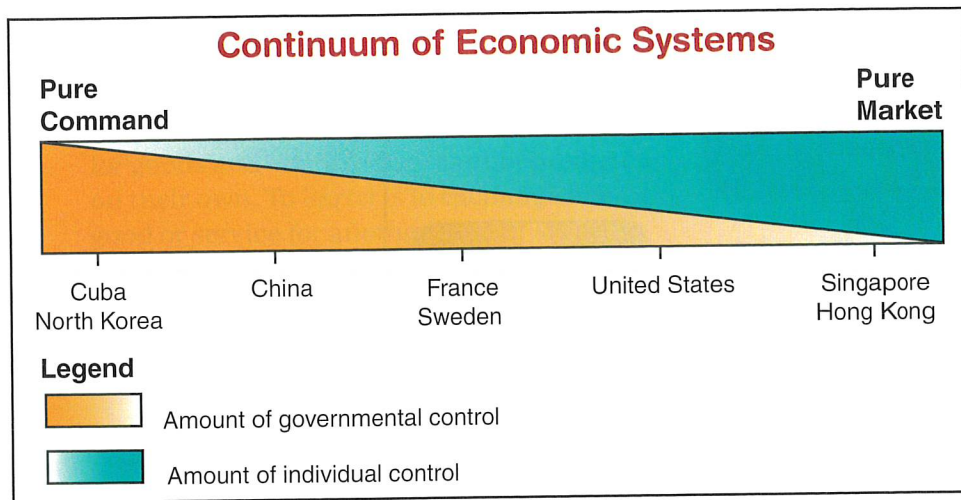


Figure 5-7 The amount of individual and governmental control changes across the continuum.

between the two extremes depending on the amount of control exercised by the government.

LO
5.2-2

Market Forces

Market forces are economic factors that affect the price, demand, and availability of a product or service. In a free-enterprise system, the decisions related to market forces result in the production of the best goods and services at the most attractive prices. Market forces include supply and demand, the profit motive, and competition.

Supply and Demand

The principle of supply and demand is critical to business because it determines the price of goods and services. *Supply* is the quantity of goods available for purchase. *Demand* is the quantity of goods that consumers want to purchase. The **law of supply and demand** says that the price of a product is determined by the relationship between the supply of a product and the demand for the product.

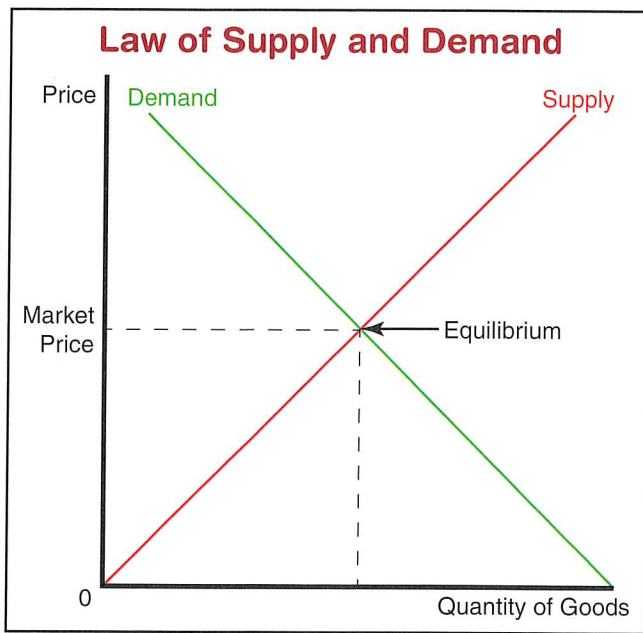
Generally, higher demand results in higher prices, and lower demand results in lower prices. An increase in the supply of a product often lowers prices. When the supply of a product decreases, the price usually increases. **Equilibrium** is the point at which the supply equals the demand for a product. The price, known as the *market price*, is determined at equilibrium.

The law of supply and demand can be illustrated with a supply and demand curve, which is plotted on the graph in Figure 5-8. A *graph* depicts information through the use of lines, bars, or other symbols. This graph shows the relationship between the price of a product (Y-axis) and the quantity of goods supplied (X-axis). The *supply curve* shows that producers are willing to supply a greater quantity of goods at greater prices. The



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Changes in attitudes toward healthy living have resulted in a growing demand for organic, local food products. **What changes in product demand have you witnessed in your lifetime?**



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Figure 5-8 A supply and demand curve shows the relationship between the quantity of goods producers are willing to supply and the quantity customers are willing to buy.

demand curve shows that consumers are willing to buy fewer goods at higher prices. The point at which the demand and supply curves intersect shows the market price at which the quantity supplied equals the quantity demanded.

Prices can change quickly when the forces of supply and demand react to changes in the economy. When the economy is strong, many consumers have more money to spend. They demand more products to satisfy their wants. If the demand for a product becomes greater than the available supply, a *shortage* develops. In this case, consumers compete to buy the available supply, which forces the price up.

When the economy weakens, consumers typically have less money to spend and they demand fewer products. If the demand for a product becomes less than the available supply, a *surplus* develops. In this case, sellers compete to sell the available supply, which forces the price down.

Prices play a critical function in our economy by helping to efficiently allocate resources and

reduce shortages and surpluses. When prices rise, there is a natural incentive for supply to increase and demand to fall. This helps reduce the shortage. When prices fall, the natural incentive is for supply to fall and demand to increase, which helps reduce the surplus.

Demand can be influenced by changes in society. For example, many people today are more concerned about living healthier lifestyles than people were several decades ago. The result is a greater and growing demand for products like fitness equipment, all-natural products, and foods with high nutritional value.

Profit Motive

Profit is a powerful market force. *Profit* is the difference between the income earned and expenses incurred by a business during a specific period of time. The following is the formula to determine profit.

$$\text{sales} - \text{expenses} = \text{profit}$$

Suppose the sales of a business totaled \$426,000 last year. In order to make those sales, the *expenses*, or costs, of producing and selling the product were \$374,000. These costs included rent, utilities, raw materials, maintenance, salaries, and marketing. The profit is \$52,000.

$$\begin{aligned} \$426,000 \text{ sales} - \$374,000 \text{ expenses} = \\ \$52,000 \text{ profit} \end{aligned}$$

Profit motive is the reason people take the risk to start and expand businesses. Even though many people create businesses for personal satisfaction, independence, and other advantages, profit is the driving force. Profits are increased by increasing sales or reducing expenses.

Competition

Competition among businesses is an important factor in a free-enterprise system. *Competition* is the action taken by two or more businesses attempting to attract the same customers. Because consumers have the freedom to choose the products and services they buy, businesses must work to win each consumer's business.



You Do the Math

Interpreting Line Graphs

A *graph* depicts information through the use of lines, bars, or other symbols. Many times, it is easier to understand the data if they are shown in a graphical form instead of a numerical form in a table. A line graph organizes information on vertical and horizontal axes. Data are graphed as a continuous line. Line graphs are often used to show trends over a period of time.

Solve the following problems using the line graph.

1. Of the five months shown, which month has the highest sales?
2. Of the five months shown, which month has the lowest sales?
3. How much did sales increase between May and June?
4. Based on the overall trend shown in the graph, will sales increase or decrease in the month of August?



Section 5.2 Review

Check Your Understanding

1. List five characteristics of a free-enterprise system.
2. What do market forces affect?
3. Define *supply* and *demand*.
4. What is profit?
5. Define *competition*.

Build Your Vocabulary

As you progress through this text, develop a personal glossary of key terms. This will help you build your vocabulary and prepare you for a career. Write a definition for each of the following terms and add them to your personal glossary.

command economy
economic input
economic output
economic system
equilibrium

law of supply and demand
market economy
market forces
mixed economy
traditional economy

Chapter Summary

Section 5.1 Introduction to Economics

LO 5.1-1 Explain the concept of economics.

Economics examines how goods and services are produced, sold, and used. Individuals, businesses, and governments must decide how to use limited economic resources to meet their needs. The study of economics is often classified as macroeconomics and microeconomics.

LO 5.1-2 Describe the factors of production.

The factors of production are land, labor, capital, and entrepreneurship. These factors are used to produce goods and services that meet the wants and needs of individuals, businesses, and governments.

LO 5.1-3 Explain the economic problem.

Scarce resources limit the quantity of goods and services produced in any economic system. Scarcity leads to three important economic questions every nation must answer: What should be produced and how much? How should resources be allocated in production? For whom are the goods and services produced?

Section 5.2 Economic Systems and Market Forces

LO 5.2-1 Define four economic systems.

A nation's economic system is the way in which the nation chooses to use its resources to create goods and services. Economists classify economic systems as being a traditional, command, market, or mixed.

LO 5.2-2 Describe market forces in a free-enterprise system.

Market forces are economic factors that affect the price, demand, and availability of a product or service. Market forces include supply and demand, profit motive, and competition.

Check Your Marketing IQ

Now that you have completed the chapter, see what you have learned about marketing by taking the chapter posttest. The posttest is available at www.g-wlearning.com/marketing/.

Review Your Knowledge

1. Explain the concept of economics.
2. Describe the factors of production.
3. Cite two examples of infrastructure.
4. Explain the economic problem.
5. How do individuals make economic decisions?
6. Define four economic systems.
7. List and explain characteristics of a free-enterprise system.
8. List and explain examples of disadvantages of a free-enterprise system.
9. Describe market forces in a free-enterprise system.
10. Explain how supply and demand affect price.

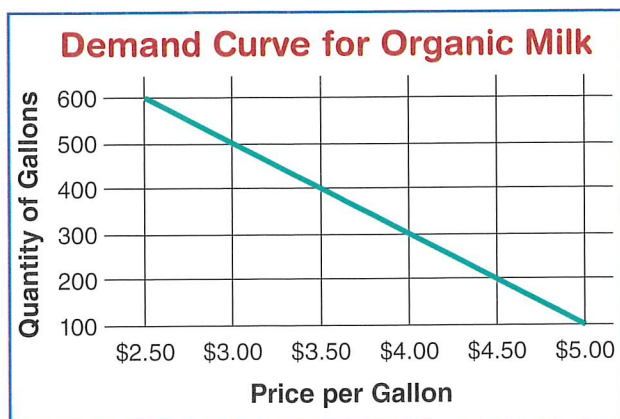
Apply Your Knowledge

1. You selected a business for which you will be writing a marketing plan. How can an understanding of economics help a marketing manager develop a viable marketing plan?
2. Identify the factors of production that will impact the marketing activities of the business you have selected.
3. Scarcity leads to three important economic questions every nation must answer: What should be produced and how much? How should resources be allocated in production? For whom are the goods and services produced? Answer these questions for the business you have chosen.

- How might scarcity impact the marketing decisions of a company?
- Identify a decision to be made that is related to the marketing plan you will be writing. Describe how the systematic decision-making process might be used to solve the problem.
- Why would it be helpful for a marketing manager to have information about the opportunity costs of potential customers?
- Would a marketing manager be needed more in a command economy or a market economy? Briefly explain.
- Explain the principles of supply and demand and how they apply to the business for which you are writing a marketing plan.
- How will the market forces of supply and demand, profit motive, and competition influence your marketing plan?
- How do you think the free-enterprise system benefits the marketing activities of a business?

Apply Your Math Skills

Interpreting information presented in a graph can help make important marketing decisions. An organic grocery store sells a local dairy farmer's organic milk. The number of gallons demanded by the store's customers depends on the price per gallon. Interpret the graph to answer the questions that follow.



- How many gallons of milk are bought when the price is \$4.50?
- Below what price will the number of gallons purchased exceed 500?
- What does the demand curve for organic milk reveal?
- How might a marketing manager use this information in a marketing plan?

Communication Skills



College and Career Readiness

Reading Rhetoric is the art of effectively speaking or writing to persuade someone. After you have read the chapter, reflect on the content you read. What was the writer's purpose for communicating the information in this chapter? Analyze how the author used rhetoric to advance this purpose.

Writing Compare and contrast how the various economic systems (traditional, market, command) answer the three basic economic questions: What should we produce? How should we produce it? For whom should we produce it? Develop and strengthen your ideas as needed by planning, revising, and editing your writing.

Speaking Select three of your classmates to participate in a discussion panel. Acting as the team leader, assign each person to a specific task, such as timekeeper, recorder, etc. Discuss the concept of the economic problem. Keep the panel on task and promote democratic discussion. The recorder should make notes of important information that was discussed. The notes should be edited and a final document created for distribution to the class.

Internet Research

Factors of Production Search the Internet to find the three industries in your state that generate the most revenue. What is the most important factor of production to each of these industries: land, labor, capital, or entrepreneurship? Describe whether your state is well-suited to provide these resources.

Recycling Natural Resources Using the Internet, research the recycling efforts of countries with different economic systems. Find examples of recycling efforts in at least two different economic systems. How do the citizens of these countries use and conserve natural resources?

Scarcity Use the Internet to research the factors of production of a country in which you are interested. Write several paragraphs to discuss how scarcity and factors of production require the nation to make economic choices.

Economic Systems Use Internet resources to identify a country with a traditional economy, a country with a command economy, and a country with a market economy. Explore how the type of economic system affects private ownership and the role of government in each economy.

Teamwork

Together with a partner, explain and discuss each of the characteristics of a free-enterprise system. Have one partner argue for the claim that private ownership, competition, risk, and the profit motive benefit society. Have the other partner argue against these ideas. Cite evidence to develop original claims and counterclaims.

Portfolio Development



College and Career Readiness

Hard Copy Organization As you collect material for your portfolio, you will need an effective strategy to keep the items clean, safe, and organized for assembly at the appropriate time. Structure and organization is important when working on an ongoing project that includes

multiple pieces. A large manila envelope works well to keep hard copies of documents, photos, awards, and other items safe. A three-ring binder with sleeves is another good way to store your materials.

Plan to keep similar items together and label the categories. For example, store sample documents that illustrate your writing or technology skills together. Use notes clipped to the documents to identify each item and state why it is included in the portfolio. For example, a note might say, "Newsletter that illustrates desktop publishing skills."

1. Select a method for storing hard copy items you will be collecting.
2. Create a master spreadsheet to use as a tracking tool for the components of your portfolio. You may list each document alphabetically, by category, date, or other convention that helps you keep track of each document that you are including.
3. Record the name of each item and the date that you stored it.