Economics Unit 1 Test Review -25 points Name\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Period \_\_\_\_\_\_\_

1. What does the term “guns and butter” mean?

2. What is opportunity cost?

Production Possibilities Curve:

3. What is the production possibilities frontier?

4. What is the purpose of the production possibilities graph?

5. What causes the production possibilities frontier to move to the right?

6. What is underutilization?

7. Why are resources considered to be scarce?

8. What is a shortage?

9. What are the basic principles of a free enterprise system? (seven of them)

10. Why are private property rights important in a free enterprise system?

11. What are the factors of production?

12. What is the difference between human capital and physical capital?

13. How can human capital be increased?

14. What is an entrepreneur?

15. What does efficiency mean?

16. What is thinking at the margin?

17. What is an externality?

18. What is Gross Domestic Product?

19. What is the business cycle?

20. What is the “invisible hand”?

21. What role does self-interest play in a free market economy?

22. What is competition and what role does it play in a free market economy?

23. What are the three main goals of a government in the attempt to promote economic strength and keep the economy running smoothly?

24. Poverty Threshold –

25. What is the role of the government in the circular flow model of a mixed economy