

Efficiency	Using resources in such a way as to maximize the production of goods and services.
Factors of production	Land, labor, and capital
Goods	Physical objects such as cloths or shoes.
Labor	The effort that people devote to a task for which they are paid.
Growth	NEEDS DEFINITION
Opportunity cost	The most desirable alternative given up as the result of a decision.
Production possibilities frontier	The line on a production possibilities graph that shows the maximum possible output.
Production possibilities graph	A graph that shows alternative ways to use an economy's resources.
Scarcity	Limited quantities of resources to meet unlimited wants.
Services	Actions or activities that one person performs for another.

## Shortage

A situation in which a good or service is unavailable.

## Trade-offs

An alternative that we sacrifice when we make a decision.

## Underutilization

Using fewer resources than an economy is capable of using.

- What is the difference between a shortage and scarcity?
- a. A shortage results from rising prices; a scarcity results from falling prices.
  - b. A shortage can be temporary or long-term, but scarcity always exists.
  - c. A shortage is a lack of all goods and services; a scarcity concerns a single item.
  - d. There is no real difference between a shortage and a scarcity.

b. A shortage can be temporary or long-term, but scarcity always exists.

Which of the following is an example of using physical capital to save time and money?

- a. building extra space in a factory to simplify production
- b. hiring more workers to do a job
- c. switching from oil to coal to make production cheaper
- d. lowering workers' wages to increase profits

a. building extra space in a factory to simplify production.

Opportunity cost is

- a. any alternative we sacrifice when we make a decision.
- b. all of the alternatives we sacrifice when we make a decision.
- c. the most desirable alternative given up as a result of a decision.
- d. the least desirable alternative given up as a result of a decision.

c. the most desirable alternative given up as a result of a decision.

An economy that is using its resources to produce the maximum number of goods and services is described as

- a. underutilized.
- b. growing.
- c. efficient.
- d. trading off.

c. efficient.