

Chapter 1 Section 2

Basic Economic Concepts

According to your textbook, what makes *economic products* scarce?

What is a *consumer good*?

Give an example of a *capital good*.

What is a *service*?

Who is a *consumer*?

Why might a diamond have much more value than water?

Why is *utility* important in determining value?

What comprises a nation's wealth?

What did Adam Smith argue, in his book the Wealth of Nations, was the source of a nation's wealth?

How is *market* defined?

What is a *product market*?

What is *economic growth*?

How does *productivity* contribute to economic growth?

What is the *division of labor*?

Give one example of *specialization*.

What is *human capital*?

In what ways is the US economy *interdependent*?

Read the Profiles in Economics about Adam Smith on page 18 and answer the following questions:

Which country was Adam Smith from?

What did Smith believe led workers to become more productive?

What did Smith believe created wealth?

What is the “invisible hand” described by Smith refer to?

What should be the role of government according to Smith’s notion of *laissez-faire*?