

An Economic Way of Thinking

How can you think like an economist?

Vocabulary Terms

As you complete the Reading Notes, use these terms in your answers:

economics	scarcity
economy	tradeoff
positive economics	cost-benefit analysis
normative economics	incentive

PREVIEW

Respond to each question. Provide a thorough explanation for each decision.

1. If you could choose between two nearly identical products—one that is free and one that you have to pay for—which would you choose? Why?
2. If you were opening a new business, would you select a location closer to or farther away from a business that sold a similar or even identical product? Why?
3. If you could make a small change in your daily routine that would save you time and money, would you make the change? Why or why not?

READING NOTES

Section 1

Follow these steps to write a nine-line acrostic poem explaining what economics is about.

- Write the term ECONOMICS vertically along the left side of a notebook page. Begin each line with a word that starts with the appropriate letter.
- Each line must help answer the question, *What is economics all about?*
- Include the following terms somewhere in your acrostic: *enigma, resource, scarce, science, normative economics, and positive economics.*

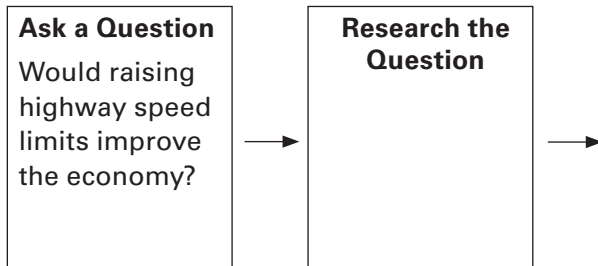
Section 2

Set up a table with rows to list seven principles of economic thinking. In the first column, write the name of each principle. Then, create a symbol or simple illustration that helps explain that principle. Finally, write a one-sentence summary of the principle.

Principle	Symbol	One-Sentence Summary
Scarcity forces tradeoffs		
Cost versus benefits		

Section 3

1. Create a flowchart illustrating the steps of the scientific method. Think of a concrete example of how an economist would use this tool. Write an explanation of what the economist would do in each step of the process. An example is begun for you. You may use this example question or create your own.



2. Follow these steps to create a graph.
- Draw a coordinate system with an *x*- and *y*-axis.
 - Examine the data to be graphed (in the table below). Determine an appropriate title for each axis.
 - Determine appropriate labels for each axis.
 - Graph the data.
 - Connect each point to create a curve.

U.S. Unemployment Rate, 1955–2015

Year	Unemployment Rate
1955	4.6%
1965	4.5%
1975	8.2%
1985	7.2%
1995	5.6%
2005	5.1%
2015	5.4%

Source: Bureau of Labor Statistics <https://data.bls.gov/timeseries/LNS14000000>

3. Write a short explanation of how economists use graphs.
4. Explain the rational-behavior model. Give an example from your own life in which you have used, or applied, this model.

PROCESSING

Enigma
A puzzle that seems to defy common sense

Here are four economic enigmas.

- Why do economy seats on airplanes cost different amounts?
- Why do people pay more for name-brand products when there are generic brands of the same product available for less?
- Why do police officers get paid so much less than professional baseball players?
- Why does a five-day Disneyland pass cost only 2.5 times what a one-day pass costs?

Choose one of these economic enigmas, or think of one that you have observed in your own life. Follow these steps to apply an economic way of thinking to help explain your enigma.

1. Write your economic enigma in your notebook. Then, list any economic principles that help explain your enigma.
2. Choose the one principle that you believe best explains your enigma. Explain why this principle provides the best explanation.