

10 Principles of Economics

Instructions: Match each principle in Column A with the correct situation in Column B by writing the letter of the correct situation with the corresponding principle.

Column A: Ten Principles of Economics

1. People face trade-offs.
2. The cost of something is what you give up to get it (opportunity cost).
3. Rational people think at the margin.
4. People respond to incentives.
5. Trade can make everyone better off.
6. Markets are usually a good way to organize economic activity.
7. Governments can sometimes improve market outcomes.
8. A country's standard of living depends on its ability to produce goods and services.
9. Prices rise when the government prints too much money (inflation).
10. Society faces a short-run trade-off between inflation and unemployment.

Column B: Situations

- A. A country prints excessive amounts of money, causing prices of goods and services to skyrocket.
- B. A small town trades agricultural goods with a nearby city for manufactured products.
- C. A student decides to skip a party to study for an important exam.
- D. A store offers discounts on bulk purchases, encouraging customers to buy more.
- E. A nation with highly skilled workers and advanced technology has higher wages and better living conditions.
- F. A new smartphone company enters the market, leading to lower prices and better features for consumers.
- G. A farmer chooses to plant corn instead of soybeans because corn is expected to be more profitable.
- H. The government imposes a tax on polluting industries to reduce environmental damage.
- I. The central bank lowers interest rates to reduce unemployment, but inflation increases as a result.
- J. A coffee shop lowers its prices slightly to attract more customers and increase profits.