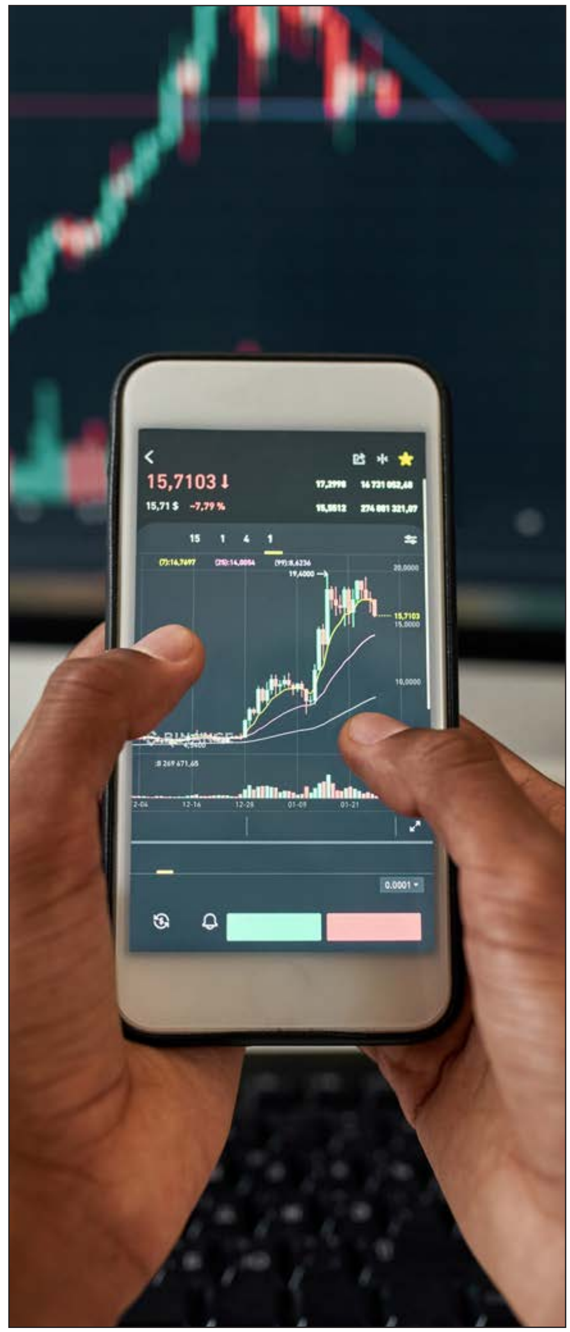
1: Economic Systems & Resource Allocation

UNIT 1: Economic Foundations & Business Systems
Standard: *NBEA Economics I.1-3 *Common Career Technical Core (CCTC) BM.1 *California CTE Marketing 2.1

Lesson Objective: You will understand how economic systems shape business decisions and entrepreneurial opportunities. You will identify the key factors of production that businesses need and recognize how scarcity creates trade-offs affecting your career choices. You will analyze how different economic systems impact business operations.

Economic Systems: The Foundation of Your Business Future



1. Scarcity and Opportunity Cost Shape Business Decisions
You face scarcity when choosing how to spend time or money. Businesses face similar challenges when deciding what to produce and how to use resources. Understanding these trade-offs helps you recognize opportunities.

2. Economic Systems Determine How Businesses Operate
You live in a mixed economy where government and markets work together. This system provides freedom to start businesses while maintaining rules and protections. Knowing your economic system helps you spot opportunities.

3. Factors of Production Are Business Building Blocks
You need land, labor, capital, and entrepreneurship to create successful businesses. These four resources determine what businesses can produce and where opportunities exist. Smart entrepreneurs find creative ways to combine these factors.

Why This Matters to Your Future

Economic systems create the framework for business decisions. Whether you become an employee, manager, or entrepreneur, understanding resource flow helps you spot opportunities and avoid mistakes. Successful businesses work with economic realities rather than against them.

Understanding economic systems gives you a competitive advantage because most people ignore how scarcity affects their decisions.

Economic Systems: The Foundation of Your Business Future

The local pizza shop on your corner closes at 9 PM on weekdays but stays open until midnight on weekends. The owner made this choice because weekend customers are willing to pay for late-night pizza, but weekday demand drops off after dinner. Should the pizza shop stay open late on weekdays too? Why or why not? This decision shows how economic forces shape every choice entrepreneurs make. Understanding these forces gives you the tools to think like a business owner and spot opportunities.

Americans make about 35,000 decisions daily, each involving opportunity cost principles that guide business strategy.

Scarcity Creates Trade-offs in Every Decision

Every business operates with limited resources. The pizza shop owner has limited ovens, limited staff, and limited hours in the day. Scarcity means you cannot have everything you want, so you must choose what matters most. When the owner decided to stay open late on weekends, the opportunity cost was the time and energy that could have been spent on other activities like family time or developing new menu items.

Your personal choices work the same way. Right now, you are choosing to spend time learning about business instead of working a part-time job for immediate cash. That is your opportunity cost. The question is whether the business knowledge you gain today will create better opportunities tomorrow than the money you could earn right now.

What if a competing pizza place opened across the street with longer hours and lower prices? How would scarcity force the original owner to make different choices about staffing, ingredients, or marketing to stay competitive?

Economic Systems Set the Rules You Must Follow

You live in a mixed economy that combines market freedom with government rules. Most real-world economies fall somewhere between pure market and pure command systems. This affects your business choices in ways you might not expect. You can sell custom hoodies online, but not food from your kitchen without a license. You can start a lawn care business at sixteen, but you cannot hire other minors to work dangerous equipment.

Most successful entrepreneurs started their first business in high school or college with limited resources but more time to experiment.

These rules shape what businesses can exist and how they operate. Your school probably requires permits for fundraisers and limits what student organizations can sell. Food trucks need health department approval and cannot park anywhere they want. Online businesses must collect sales tax in many states and follow advertising truth rules.

The mixed economy rewards entrepreneurs who work within the system instead of around it. A student who gets proper permits for a car detailing business can advertise openly and build a reputation. One who operates without permits risks getting shut down just when the business starts succeeding. Which approach would you choose if you wanted to start a business next summer?

Factors of Production: The LLCE Framework Every Business Needs

Every business needs four resources to succeed, and you can remember them as *LLCE*:

Land = where stuff comes from. This includes your physical location, raw materials, and natural resources. A bakery needs a kitchen space and flour. A tutoring service needs a quiet meeting place.

Labor = who does the work. This covers all human effort from the owner's planning to employees' daily tasks. Even a one-person business requires the owner's time and skills.

The gig economy exists because traditional businesses cannot efficiently manage labor during peak demand periods.

Capital = tools and money to make it happen. This includes equipment, technology, and the cash needed to start and run operations. A photographer needs cameras and editing software.

Entrepreneurship = the vision to put it all together. This is the innovation and risk-taking that combines the other three factors into a working business.

Smart entrepreneurs look for ways to maximize one factor when others are limited. When retail space costs too much, they sell online. When skilled workers are scarce, they invest in training. When startup capital is tight, they begin with service businesses that need less equipment.

If you wanted to start a business helping other students with homework, which of these four factors would be your biggest challenge? How could you work around that limitation?

The most expensive factor in service businesses today is finding skilled workers, not equipment or locations.

Economic Systems: The Foundation of Your Business Future

Understanding economic systems gives you the foundation to make smart business decisions throughout your career. Whether you become an employee evaluating job offers, a manager allocating department resources, or an entrepreneur launching your own venture, these principles guide every choice you make.

The most successful young professionals recognize that economic thinking applies far beyond traditional business settings. When you choose which skills to develop, you are making capital investments in yourself. When you decide how to spend your time networking versus studying, you are managing your labor factor. When you pick internships or entry-level positions, you are choosing which economic systems and industry constraints will shape your early career.

Netflix started as DVD-by-mail because founders knew video stores had limited shelf space while mail had unlimited capacity.

Your generation enters the workforce during a time when economic systems are rapidly evolving. Remote work changes how businesses think about the land factor. Artificial intelligence affects labor markets in ways previous generations never faced. Understanding these fundamental economic principles gives you the tools to adapt and thrive regardless of how business environments change in the coming decades.

The three core concepts you need to master - scarcity and opportunity cost, mixed economy operations, and factors of production - work together in every business situation. When you face scarcity in one area, you can often compensate by maximizing another factor. When mixed economy rules seem restrictive, they usually create protection that benefits long-term success. When you understand how all four factors of production interact, you can spot opportunities that others miss because they only focus on one element at a time.

Think about how these concepts apply to your current situation as a student. You experience scarcity when balancing homework, jobs, and social activities. You operate within mixed economy rules at school through dress codes, academic policies, and extracurricular regulations. You already manage factors of production when organizing group projects - assigning roles based on skills, finding meeting spaces, pooling resources for supplies, and coordinating everyone’s efforts toward a common goal. These same principles scale up to run million-dollar businesses.

Opportunity cost wasn’t formally defined until 1889, though humans made trade-offs for thousands of years before economists named it.

1: Economic Systems & Resource Allocation - Guided Notes

Three Most Important Concepts

Based on the article, identify and explain the three most important topics you learned:

Concept 1: ____

Concept 2: ____

Concept 3: ____

Main Concept Overview

Word Bank: resources, scarcity, factors of production, mixed economy, within

Economic systems create the framework for all business decisions. Every entrepreneur must understand how _______________ forces trade-offs, how the _______________ sets operating rules, and how the four _______________ determine what businesses can create. Smart business owners work _______________ the system rather than against it, and they look for ways to maximize limited _______________ when others are constrained.

Matching Section

Match each term from the article with its correct description:

_____ 1. Opportunity Cost	A. Land, labor, capital, and entrepreneurship
_____ 2. Mixed Economy	B. Where stuff comes from in business
_____ 3. Factors of Production	C. Government rules combined with market freedom
_____ 4. Land (business)	D. What you give up when making a choice
_____ 5. Scarcity	E. Limited resources that force tough decisions

True/False Questions

_____ 1. The pizza shop example shows that all businesses should stay open late to make more money.

_____ 2. You can sell custom hoodies online but not homemade food without proper licenses.

_____ 3. Pure market economies and pure command economies are common in the real world today.

_____ 4. The LLCE framework stands for Land, Labor, Capital, and Entrepreneurship.

_____ 5. Successful businesses always need large amounts of all four factors of production to succeed.

Fill in the Table

Instructions: Based on the article, identify which factor of production would be most challenging for each business type and explain why.

Business Type	Most Challenging Factor
Online tutoring service	
Food truck business	
Photography studio	
Lawn care service	

Application Questions

1. **Personal Decision Making:** You have $500 and 10 hours per week of free time. You could either take a part-time job earning $12/hour or enroll in an online business course that costs $400. Using opportunity cost thinking from the article, what factors should influence your decision?

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2. **Economic Systems Impact:** A group of students wants to start selling homemade cookies at school events. Based on the article's explanation of mixed economy rules, what permissions or restrictions might they face, and how could they work within the system to succeed?

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1: Economic Systems & Resource Allocation - Hypotheticals

Scenario 1: Social Media Marketing Internship	
A local robotics startup offers you a summer internship managing their social media accounts. The internship pays $12/hour for 20 hours weekly but requires learning new platforms and content creation skills. Alternatively, you could work at a retail job for $15/hour with no learning requirements. Questions: a) What is the opportunity cost of choosing the internship over retail work? b) Which factors of production would you develop more through each opportunity? c) How do mixed economy regulations affect what you can post for the startup?	

Scenario 2: Career Path Decision	
You must choose between a computer science degree focusing on AI development or a business degree with technology emphasis. The CS degree leads directly to high-paying tech jobs but limits business knowledge. The business degree provides broader skills but requires additional technical training for AI careers. Questions: a) What is the opportunity cost of each educational choice? b) How does scarcity of college years force you to make trade-offs? c) Which choice better positions you to combine multiple factors of production as an entrepreneur?	

Economic Systems & Resource Allocation

Resource Allocation in Student Business Ventures					
Student Business	**Land/ Location**	**Labor Costs**	**Capital/ Equipment**	**Marketing**	**Total Revenue**
Tutoring Service	**$50**	**$0**	**$200**	**$250**	**$1,850**
Lawn Care	**$0**	**$150**	**$300**	**$50**	**$2,200**
Social Media Design	**$0**	**$0**	**$350**	**$150**	**$1,200**
Food Truck Helper	**$100**	**$200**	**$100**	**$100**	**$2,800**
Car Detailing	**$75**	**$100**	**$250**	**$75**	**$1,950**

Background

Five high school students started different small businesses during summer break. Each had $500 to invest and tracked how they allocated their resources across the four factors of production. The table below shows their spending breakdown and three-month revenue results.

Analysis Questions

1. **Data Interpretation Question**
What was the total amount the Food Truck Helper business spent on labor costs during the three-month period?

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2. **Pattern or Trend Question**
What overall relationship do you observe between capital/equipment spending and total revenue across these five businesses?

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3. **Business Application Question**
Based on the data, which resource allocation strategy appears most effective for generating revenue, and what business decision should a new student entrepreneur make when allocating their first $500? Use evidence from the table to support your answer.

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1: Economic Systems & Resource Allocation - Case Study

The PopSocket Opportunity

Background

In 2012, philosophy professor David Barnett was frustrated with his phone slipping while texting. This problem affected millions of smartphone users who dropped phones or got hand cramps from awkward gripping. Poor phone handling led to cracked screens and interrupted work that no company had solved effectively.

What Was Done

Barnett used his garage as workspace and invested $18,000 into creating PopSocket prototypes. He hired local college students part-time for assembly, keeping labor costs minimal. The biggest capital investment went toward injection molding equipment and strong adhesive development. Barnett's entrepreneurship showed in his crowdfunding launch strategy, allowing direct customer feedback before mass production.

Results

PopSockets generated $1 million in revenue within the first year and reached $100 million annually by 2017. The company now operates internationally with over 200 employees. Barnett successfully balanced all four factors of production by starting small, then scaling strategically as revenue grew.

Student Conclusion Questions

1. **Understanding Question**
How do the concepts from this lesson help explain what happened in this case?

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2. **Evaluation Question**
Was the business response effective? Why or why not?

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3. **Application Question**
What could other businesses or entrepreneurs learn from this example?

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Economic Thinking for Young Entrepreneurs

Every day you make dozens of choices about how to spend your time, money, and energy. These decisions follow the same economic principles that guide successful businesses and entrepreneurs. The difference between people who create lasting impact comes down to recognizing how scarcity and opportunity costs can become competitive advantages.

Your current situation gives you unique insights into problems others might miss. You see how students struggle with time management between school and work. You notice when apps or services do not meet the needs of people your age. These observations represent market gaps that entrepreneurs can fill.

The mixed economy framework creates more opportunities than obstacles for young entrepreneurs. Regulations that seem restrictive often protect you while ensuring customers trust new businesses. Online regulations create level playing fields where ideas matter more than age.

Your relationship with factors of production differs advantageously from older entrepreneurs. You may have limited capital, but also have fewer fixed expenses and greater willingness to experiment. You understand emerging technologies and social trends better than established competitors.

The land factor often matters less for businesses you can start now. Digital services, tutoring, and social media management require minimal physical space. When location matters, you often have access to spaces older entrepreneurs cannot use.

Capital constraints force creativity that leads to better business models. When you cannot afford expensive equipment, you deliver value through knowledge and service instead. When marketing budgets are minimal, you develop authentic relationships that prove more effective than expensive advertising.

Entrepreneurship represents your greatest current advantage. Your willingness to try new approaches, learn from failures quickly, and adapt to changing conditions often surpasses that of people with more resources but less flexibility.

Economic systems around you reward solving real problems for real people. Impact comes from understanding what others truly need and providing sustainable solutions.

What problems do you notice in your daily life that others seem to accept as unchangeable, and how might understanding resource allocation help you see these challenges as entrepreneurial opportunities instead of permanent frustrations?

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1: Economic Systems & Resource Allocation - Reflection Questions

1

How might opportunity cost change your decisions about time and money?

Consider your current choices about school, work, and personal activities. How could applying economic thinking help you make decisions that better support your long-term goals?

2

Where do you see scarcity forcing difficult choices in your school or community?

How do these trade-offs create opportunities that students or young entrepreneurs could address. What problems exist because current solutions require resources that are limited or expensive?

3

How can scarcity, trade-offs, and resource allocation guide your major life choices?

What questions should you ask yourself to make sure you are considering both immediate costs and long-term opportunities in your personal economic system?

1: Economic Systems & Resource Allocation - Vocabulary

TERM	DEFINITION
Capital	
Economic System	
Entrepreneurship	
Factors of Production	
Labor	
Land	
Mixed Economy	
Opportunity Cost	
Resources	
Scarcity	

Economic Systems & Resource Allocation

J	P	D	Y	O	Q	O	B	C	W	M	D	O	O	G	R	A	Y	S	Y	K	O	C	F
S	L	Y	Q	K	T	F	F	G	E	X	D	C	Q	N	A	I	N	U	H	O	P	M	S
A	S	U	L	A	M	K	M	S	B	L	P	G	P	A	N	S	B	O	E	V	P	E	H
S	F	L	N	F	N	R	U	I	C	G	L	A	B	O	R	A	U	G	A	O	O	V	E
J	U	I	H	N	L	B	N	S	X	O	Q	U	T	N	Z	R	G	T	L	D	R	L	C
C	B	H	V	P	E	O	G	T	G	E	I	R	U	U	D	D	B	V	C	A	T	C	O
J	R	Y	H	D	N	Y	O	H	W	D	D	P	S	X	B	L	C	A	Z	W	U	D	N
Y	U	R	R	W	T	F	R	T	O	V	P	E	N	X	S	E	T	B	F	H	N	C	O
G	R	E	L	P	R	J	M	U	F	W	M	T	C	B	M	N	L	I	E	E	I	C	M
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H	L	R	W	Z	E	H	Q	P	Z	B	E	H	T	E	S	Z	M	J	P	F	O	M	Y
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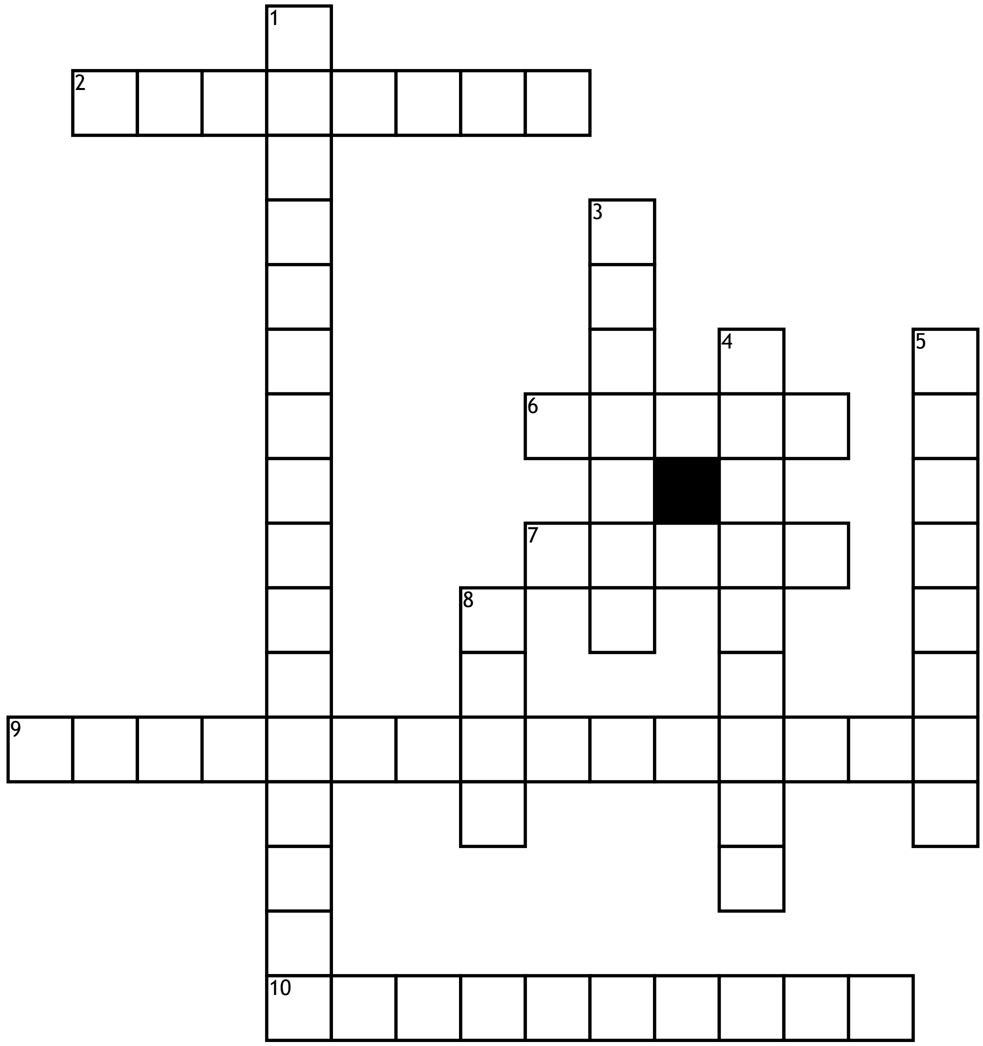
C	E	S	S	T	U	G	L	B	X	W	A	S	R	J	X	Z	Z	R	V	B	L	F	E
C	Y	U	O	A	R	P	P	V	F	E	T	L	Y	C	M	Q	C	B	C	Y	A	Q	M
L	S	A	S	P	S	U	T	L	A	N	D	P	X	V	W	E	B	Q	Y	I	E	Q	G
B	I	P	Y	F	H	K	Q	G	S	T	Q	Y	B	F	R	Z	F	O	Q	X	T	P	L
K	V	Q	O	Q	I	H	E	U	V	Z	A	P	Y	N	R	Y	S	M	A	M	O	Y	Q
U	H	Q	A	W	P	J	X	L	W	D	X	F	T	Z	R	Y	R	Q	L	V	A	Z	G
N	F	W	Q	V	Q	F	R	O	N	P	M	N	S	I	K	S	R	G	R	F	I	R	V
B	N	F	A	C	T	O	R	S	O	F	P	R	O	D	U	C	T	I	O	N	C	W	K
X	L	O	F	J	R	Y	X	Q	G	U	A	J	S	G	B	J	E	C	E	J	O	T	E

Mixed Economy
Factors of Production
Economic System
Scarcity
Resources
Opportunity Cost
Land
Labor
Entrepreneurship
Capital

Economic Systems & Resource Allocation



Across

2. The way a society organizes the production, distribution, and consumption of goods and services. ____ System

6. An economic system that combines elements of both market and command economies, with both private businesses and government regulation. ___ Economy

7. All human effort used in production, from physical work to mental planning and decision-making.

9. The value of the best alternative choice that you give up when making a decision. (Two words)

10. The four basic resources needed to create goods and services: land, labor, capital, and entrepreneurship. Factors of ____

Down

1. The factor of production that involves innovation, risk-taking, and the ability to combine land, labor, and capital into successful businesses.

3. The tools, equipment, technology, and money that businesses use to create products and services.

4. The inputs used to produce goods and services, including natural resources, human skills, and capital equipment.

5. The basic economic problem that occurs when people have unlimited wants but limited resources to satisfy those wants.

8. All natural resources including physical locations, raw materials, and anything that comes from nature.