# INTRODUCTION TO ECONOMICS

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Resource Factory

WORKSHEETS FOR NSW ECONOMICS (2025 SYLLABUS)

**Cameron Paff**

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| Term | Definition | Graph/ Equation/ Examples/ Synonyms |
|---|---|---|
| cognitive bias | | |
| collective wants | | |
| consumer goods | | |
| consumers | | |
| contractionary phase/downturn/downswing | | |
| cost–benefit principle | | |
| credit money | | |
| digital money | | |
| double coincidence of wants | | |
| disequilibrium | | |

4. **Think like an economist activity**

**Scenario**: The government increases taxes on sugary drinks to reduce consumption.

Explain how this policy affects:

a) Consumer decision making.

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b) Producer decision making.

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c) For each decision below, identify the economic agent responsible.

| Decision | Consumer/Producer/ Government |
|---|---|
| Choosing how much income to save | |
| Setting the price of a product | |
| Introducing a carbon tax | |
| Hiring additional workers | |
| Deciding which goods to buy | |
| Deciding which skills to acquire through training or education | |
| Determining the rates of taxation on economic activities | |

  

3. For each statement below, decide whether it is a positive or a negative effect of incentives on economic decision-making. Tick ✓ the correct column. Use these statements to write a response for the following question.

   **Question:** Using an Australian example, discuss how incentives influence economic decision-making.

| Statement | Positive | Negative |
|---|---|---|
| Incentives encourage households and firms to change behaviour by reducing costs | | |
| Subsidies for renewable energy increase investment in solar and wind projects | | |
| Government incentives can place pressure on the federal budget | | |
| Incentives may lead to unintended consequences such as higher prices | | |
| Financial incentives can speed up the transition to renewable energy in Australia | | |
| Some incentives may benefit higher-income groups more than low-income groups | | |
| Incentives help governments achieve policy goals such as lower emissions | | |
| Incentives can stimulate economic activity and job creation | | |
| Businesses may become dependent on government support | | |
| Poorly designed incentives may distort market signals | | |

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## Challenge of behavioural economics to conventional assumptions of rational behaviour and self-interest in economic decision-making, including cognitive biases and ethical considerations

1. Define the following terms in the vocabulary list.

| | |
|---|---|
| • behavioural economics<br>• self-interest | • cognitive bias<br>• ethical considerations |

2. Use the terms below to complete the following statements.

| | | |
|---|---|---|
| • challenges<br>• logically<br>• self-interest<br>• honesty<br>• save<br>• financial<br>• spend | • cognitive bias<br>• personal gain<br>• rational<br>• ethical considerations<br>• information<br>• benefit<br>• logical | • irrational<br>• emotions<br>• behavioural<br>• crowd<br>• traditional |

- ___________________________ economics questions the _______________________ economic idea that people always make ___________________ decisions based purely on ____________________________.

- In conventional economics, it is assumed that individuals:
  - Have all relevant ___________________________
  - Think ________________________
  - Act to maximise their own __________________ (for example, highest profit or satisfaction)

- Behavioural economics ______________________ these assumptions by showing that, in real life, people often make decisions that are:
  - ______________________, due to _____________________ or limited understanding
  - Influenced by __________________ ________________, such as overconfidence, fear of loss, or following the _____________________
  - Affected by _________________ ______________________, such as fairness, ____________________, or concern for others, even if this reduces ______________ ____________________

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SUGGESTED ANSWERS

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4. Complete the following sentences with the terms in the textbox below.

| | | | |
|---|---|---|---|
| • collective wants<br>• distribution<br>• limited<br>• resources<br>• quality of life<br>• satisfied<br>• opportunity cost | • resources<br>• scarcity<br>• factors of production<br>• economic problem<br>• consumption | • unlimited<br>• individual wants<br>• production<br>• labour<br>• survival<br>• economics | • economy<br>• alternatives<br>• capital<br>• choices<br>• availability<br>• relative |

- *An **economy** is the system through which a society organises the **production, distribution,** and **consumption** of goods and services. It includes households, businesses, governments, and financial institutions that interact to meet people's needs and wants.*
- ***Economics** is the study of how individuals, businesses, and governments make decisions about **how to** use limited **resources** to satisfy unlimited wants. Economics examines **choices**, trade-offs, and the consequences of different decisions.*
- *The **economic problem** exists because of **scarcity**:*
    - *Human needs and wants are **unlimited***
    - *Resources used to satisfy these needs and wants are **limited***
    - ***Resources** have alternative uses*
- *Needs are goods that are essential for **survival** such as food, water, clothing and shelter. Wants are goods and services that people desire to improve their quality of life, such as education, mobile phones and entertainment. Some wants are specific to one person (i.e. individual wants e.g. a particular brand of clothing) and others are desired by the entire community (i.e. collective wants e.g. hospitals, internet services).*
- *Resources (also called **factors of production**) are the inputs used to produce goods and services. These include land, **labour**, **capital**, and enterprise.*
- *Scarcity refers to the limited **availability** of resources **relative** to unlimited wants. Because resources are scarce, not all wants can be **satisfied**.*
- *Due to scarcity, economic decision-making involves choosing between **alternatives**. Every choice involves an **opportunity cost**, which is the next best alternative that is forgone. These choices are made by individuals, firms, and governments when allocating resources.*

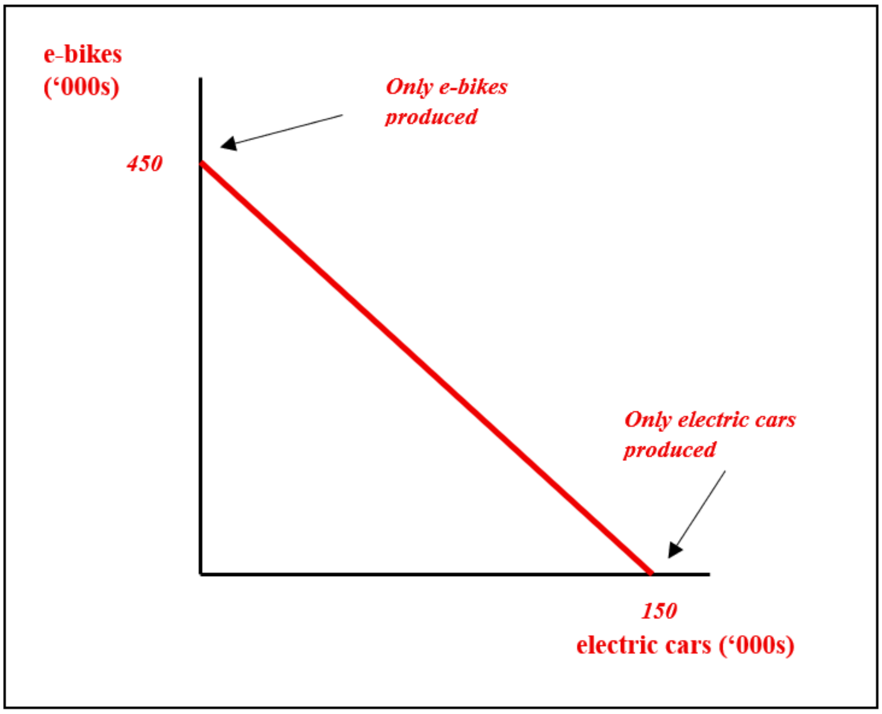
3. Complete the table below in relation to cognitive biases that affect economic decision making.

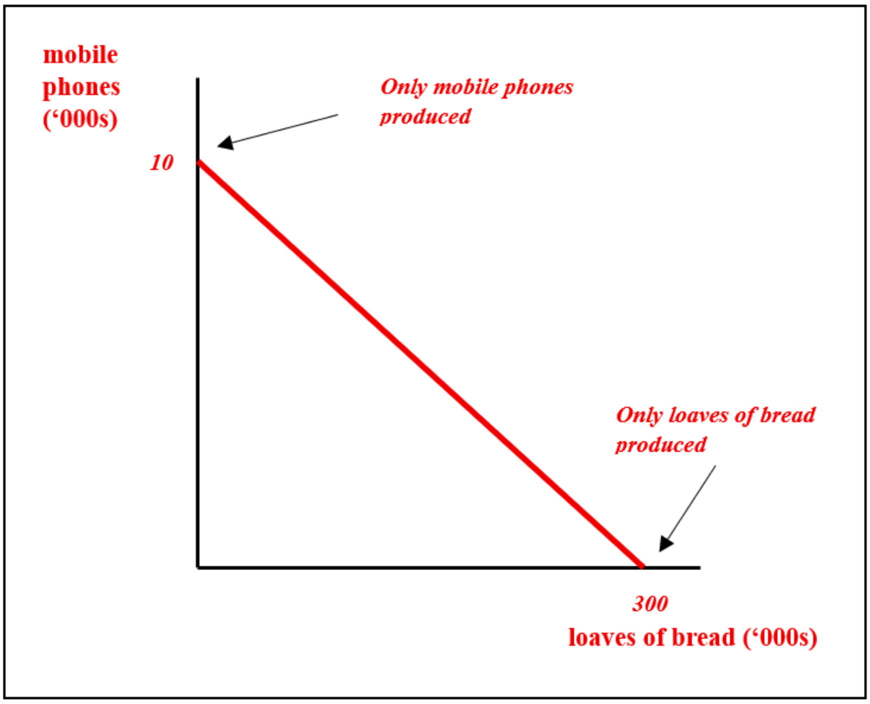
| | | |
|---|---|---|
| • Anchoring<br>• People focus on short-term rewards and ignore long-term benefits.<br>• Herd behaviour | • People prefer things to stay the same and resist change.<br>• Explains low savings rates and high personal debt. | • An investor believes they can “beat the market” and takes risky investments without enough research.<br>• Loss aversion |

| Cognitive bias | What does it mean? | Example | Why it matters in economics |
|---|---|---|---|
| ***Loss aversion*** | People feel the pain of losing something more strongly than the pleasure of gaining something. | A student refuses to sell concert tickets they no longer want because they would get less than what they paid, even though selling them is better than getting nothing. | People may make poor financial decisions to avoid losses, rather than maximise benefits. |
| Present bias | ***People focus on short-term rewards and ignore long-term benefits.*** | Choosing to spend money on takeaway food now instead of saving for a future holiday. | ***Explains low savings rates and high personal debt.*** |
| Overconfidence bias | People overestimate their knowledge or ability. | ***An investor believes they can “beat the market” and takes risky investments without enough research.*** | Can explain why individuals/businesses/government make poor investment/ financial/ policy/ production decisions. |
| ***Herd behaviour*** | People copy what others are doing instead of thinking independently. | Buying a popular brand because “everyone else has it” rather than comparing prices or quality. | Can influence consumer trends, ‘bubbles’, actions of businesses and financial markets. |
| Status quo bias | ***People prefer things to stay the same and resist change.*** | Staying on an expensive phone or energy plan because switching seems inconvenient, even though cheaper options exist. | Explains why consumers/businesses/governments don’t always choose the most cost-effective option. |

3. Choose two of the production possibility schedules from Question 2.

- Construct production possibility frontiers in the spaces below.
- Label both axis and give the PPF a title (e.g. 'PPF for mobile phones and loaves of bread')
- Identify production combinations where only one of the two goods is produced.



| Syllabus section | Syllabus Outcomes | Learning Activities |
|---|---|---|
| **Economic thinking** | | |
| **What is an economy and what is economics?**<br>**The economic problem, including wants, resources and scarcity, and economic decision-making as the choice between alternatives** | **ECO-11-01 ECO-11-02 ECO-11-04 ECO-11-10** | • Define key terms using glossary table<br>• Identify example of economic decisions made by various groups in the economy<br>• Think-Pair- Share – Alternative economic decisions to various scenarios<br>• Cloze passage activity<br>• Explain what an economy is, what economics studies, and how scarcity leads to economic decision-making |
| **Economic agents responsible for economic decision-making, including consumers, producers and government** | **ECO-11-01 ECO-11-02 ECO-11-04** | • Define key terms using glossary table<br>• Identify the three main economic agents in an economy<br>• State the main objective/s of – consumers, producers & government<br>• Think like an economist activity<br>• Identify the economic agent responsible for various economic decisions |
| **Opportunity cost and other trade-offs in economic decision-making** | **ECO-11-01 ECO-11-02 ECO-11-04 ECO-11-10** | • Define key terms using glossary table<br>• Distinguish between opportunity costs and trade-offs<br>• Identify the trade-offs for consumers, businesses and government in various scenarios |

| Economic model: circular flow of income | | |
|---|---|---|
| **Roles of the household, business, financial, government and international sectors in the circular flow of income model** | **ECO-11-02 ECO-11-04 ECO-11-10** | • Define key terms using glossary table<br>• Match the sector with their description of its role in the economy in a table.<br>• Explain how a change in one sector (e.g. increased government spending) can affect at least two other sectors in the circular flow of income.<br>• Identify whether various scenarios represent an injection or a leakage and identify the type of injection or leakage involved<br>• Outline what happens to the level of economic activity in the situations where leakages and injections are unequal and equal |
| **Income flows into the economy (injections) and out of the economy (leakages) from different sectors via investment (I), government spending (G), exports (X), savings (S), taxation (T) and imports (M)**<br><br>**Identify equilibrium and disequilibrium positions in an economy using the formula S+T+M=I+G+X** | **ECO-11-02 ECO-11-04 ECO-11-09 ECO-11-10** | • Identify the component of the five-sector illsutrate<br>• represented by letters<br>• Explain what is meant by equilibrium in the context of the circular flow of income<br>• Calculate the value of leakages, injections and whether the hypothetical economy is in equilibrium/disequilibrium and the impact on economic activity in various scenarios<br>• Scaffolded writing activity - Explain how a change in the leakages in the circular flow of income lead to changes in the level of economic activity<br>• Explain how a change in the injections in the circular flow of income lead to changes in the level of economic activity. Use specific Australian examples in your response |
| **Interpret circular flow of income diagrams** | **ECO-11-02 ECO-11-04 ECO-11-10** | • Label the five-sector circular flow model<br>• Complete table below to help understand the flows that occur in the model |