

# Final Exam Review

- The study of how people choose to use scarce resources to satisfy unlimited wants is called...

- Economics

- The benefit gained from the use of a good or services is called

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- Utility

- The value of what you have to give up in order to make a decision is called...

- Opportunity cost

- Name 2 needs and 2 wants



- Needs: food, shelter, clothing, water, etc
- Wants: ipod, vacation, dinners out, etc

- Into what 4 categories do economists divide the factors of production?

- Land, labor, capital, entrepreneurship

- What does, “There is no such thing as a free lunch?”

- Everything costs something

- Which term explains economics as it is, not as it should be?

- Positive economics

- What is the basic economic problem?



- Scarcity

- With voluntary exchange, who benefits?

- Both the buyer and the seller

- In the market economy, the real power is held by which group of people?

- Consumers

- What does privatization mean?

- Moving from government (public) ownership to private ownership.

- The situation where women tend crops and raise children while men hunt is often found in what type of economy?



- Traditional economy

- Government deciding the distribution of all resources is a feature of what type of economy?

- Command

- An economic system in which people have free will to participate in the market as they choose is called...

- Market economy

- What does laissez faire mean?

- Hands off, keep govt out of the market

- What is the producer's goal in the market?



- Earn a profit

- How are public goods funded?

- Taxes (collected by government)

- An externality is a side effect of a transaction that affects whom?

- Someone other than the buyer and seller

- Give an example of a positive externality.

- Education, flu shots

- Give an example of a negative externality.



- Pollution, second-hand smoke

- What 2 factors are necessary for demand?
- (What is the definition of demand?)

- The desire for the good and the ability to pay for it.

- What is the law of demand?

- As price increases, quantity demanded decreases, as price decreases, quantity demanded increases.

- An actress sets off a craze for wearing camouflage clothing among her fans. What factor is affecting demand?

- Consumer taste

- Which economic concept is defined as the measure of how responsive consumers are to price change?



- Elasticity of demand

- What does an inelastic demand curve look like?

- A steep slope

- Name a product that would likely have inelastic demand?

- Gas, cigarettes, drugs

- What is the definition of supply?

- The willingness and ability of a producer to produce a good.

- What is the law of supply?



- As price goes up, quantity supplied goes up. As price goes down, quantity supplied goes down.

- The ease of changing production to respond to price changes determines what?

- Elasticity of supply

- Why would suppliers reduce the price of their product?

- They have a surplus of the good.

- How is equilibrium price found?

- When  $Q_S = Q_D$

- What do high prices motivate potential producers to do?



- Enter the market

- What is the relationship between peanut butter and jelly?

- They are complimentary goods.

- The maximum amount that sellers may charge for a good or service is called...

- Price ceiling

- Supply falls

**What happens to equilibrium price and quantity when**

- Supply falls
- P goes up, Q goes down

**What happens to equilibrium price and quantity when**

- Demand falls

**What happens to equilibrium price and quantity when**



- Demand falls
- P falls, Q falls

**What happens to equilibrium price and quantity when**

- Demand increases?

**What happens to equilibrium price and quantity when**

- Demand increases?
- Both P and Q increase

**What happens to equilibrium price and quantity when**

- Supply increases

**What happens to equilibrium price and quantity when**

- Supply increases
- Q increases, P decreases

**What happens to equilibrium price and quantity when**

- A person who does not pay for a service but benefits from it is called a(n)

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- Free rider

- What do high prices motivate consumers to do?



- Buy less

- Agricultural products, such as wheat and corn, are examples of differentiated or standardized products?

- Standardized

- A market structure in which only one seller sells a product for which there are no close substitutes is called a

- Monopoly

- A monopoly in which the costs of production are lowest when only one firm provides output is called a

- Natural monopoly

- A monopoly that exists because a firm controls an invention is called a



- Technological monopoly

- With monopolistic competition there are how many buyers and sellers?

- Many of each

- The only gas station within a radius of 200 miles has a

- Geographic monopoly

- Few sellers and many buyers is characteristic of what type of market structure?

- Oligopoly

- The knowledge and skill that enable workers to be productive is called



- Human capital

- The lowest rate legally allowed for one hour of work is called

- Minimum wage

- The primary sector is made up of what types of jobs?

- Farming, fishing, mining (related to natural resources)

- The secondary sector is made up of what type of jobs?

- Jobs related to the production of goods

- The tertiary sector is made up of jobs related to



- Services

- The practice of working in a location other than the traditional office is called

- Telecommuting

- An organization of workers that seeks to improve working conditions is called a(n)

- Labor union

- Money whose value is based on the type of material from which it is made is called

- Commodity money

- The main difficulty of a barter system is finding



- A double coincidence of wants

- How is the Fed set up?

- 12 regional banks with a central decision-making board

- What is the purpose of the Federal Reserve System? (3)

- Regulate money supply
- Monitor banks
- Be the bank of the govt

- What are liquid assets?

- Those assets that can easily be turned into cash.

- The percentage of the labor force that is jobless and actively looking for work is called the



- Unemployment rate

- The level of employment in which there is no cyclical unemployment is called

- Full employment

- Temporary unemployment experienced by people changing jobs is called

- Frictional

- When people who do not have the skills necessary for the available jobs look for work, the result is

- Structural unemployment

- A recession often causes



- Cyclical unemployment

- Mary went to dental school but is working as a cashier. Mary is considered to be

- Underemployed

- In the United States, economists estimate that full employment is an unemployment rate of about

- 4-5%

- What is the difference between a final good and intermediate good?

- Final good is sold to the user.  
Intermediate good is sold to a producer to make a final good.

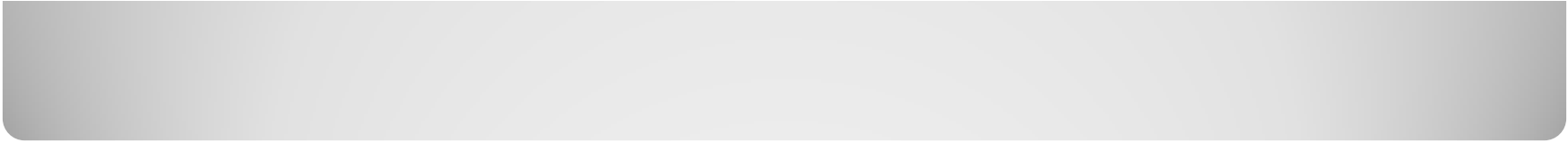
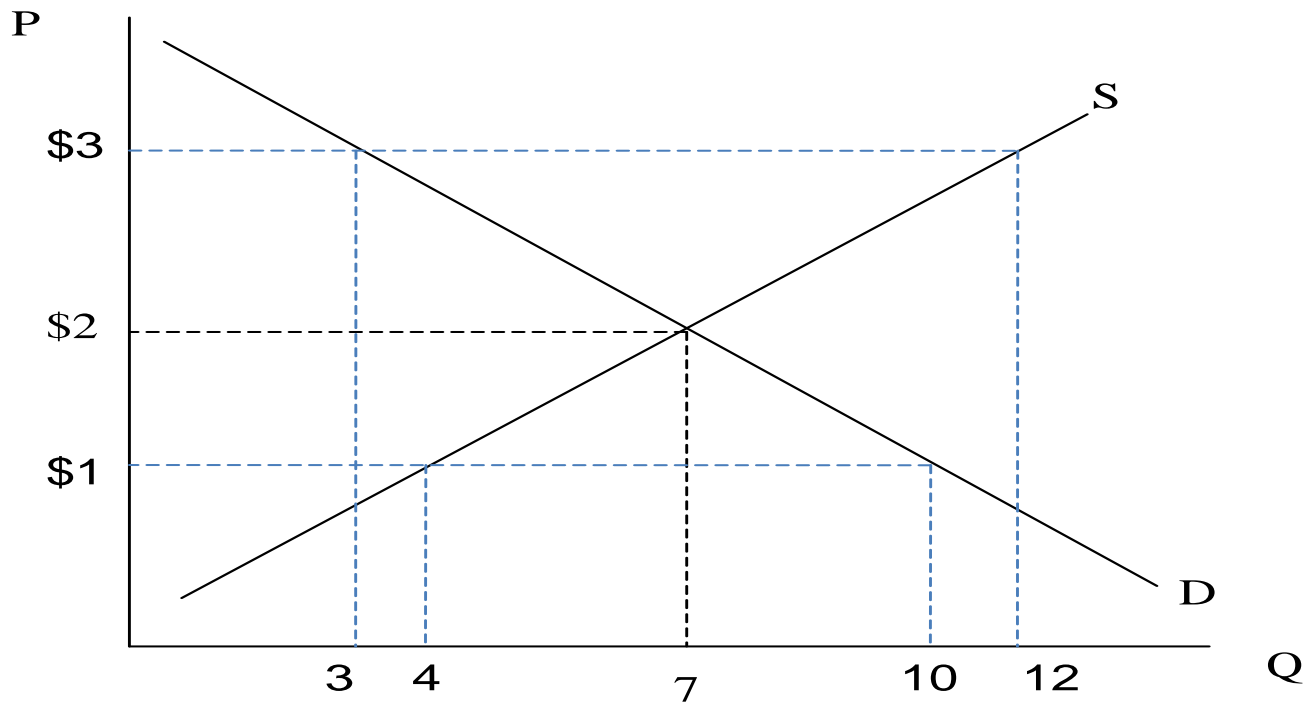
- The four factors that explain why wage rates differ are:

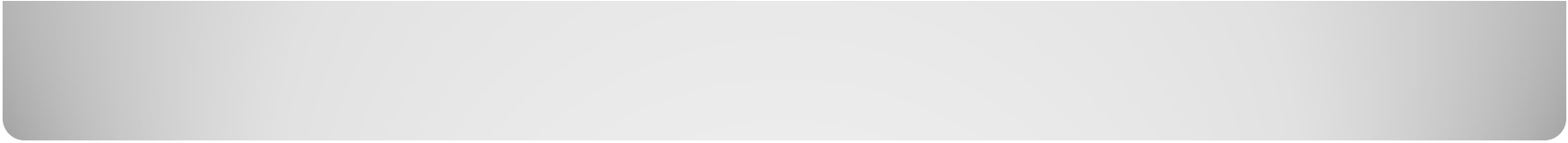
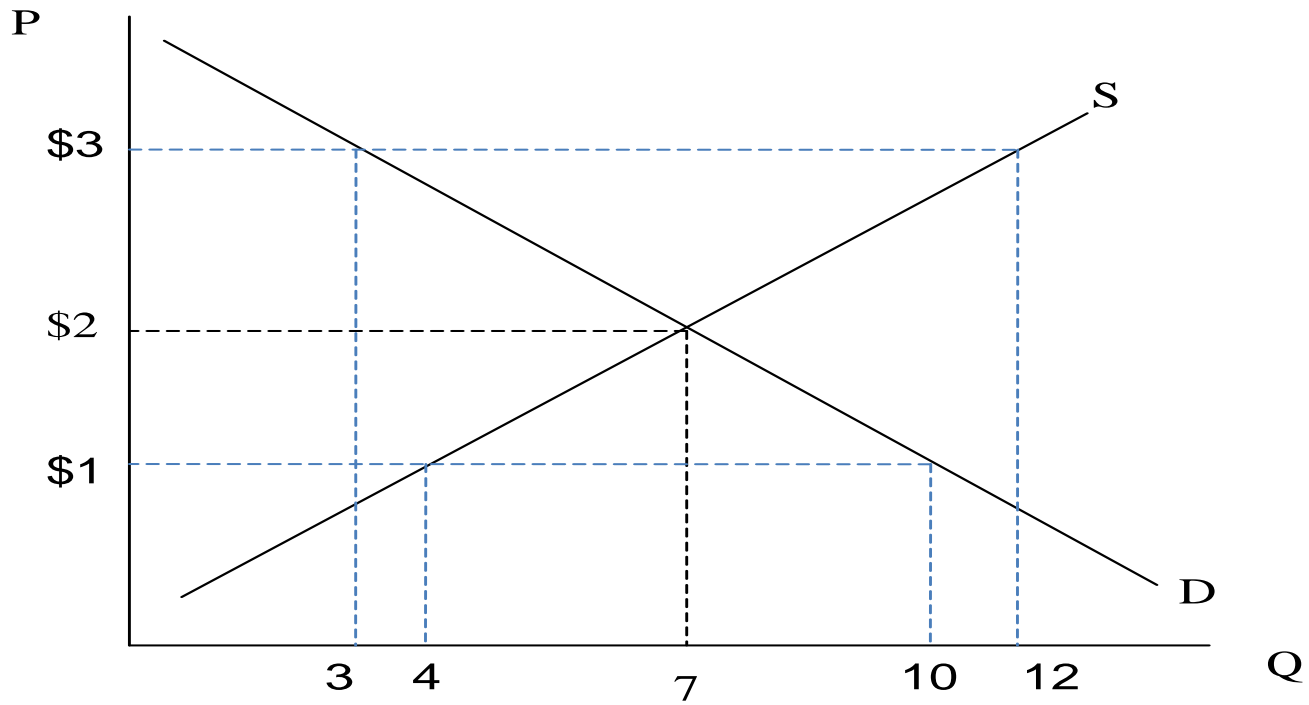


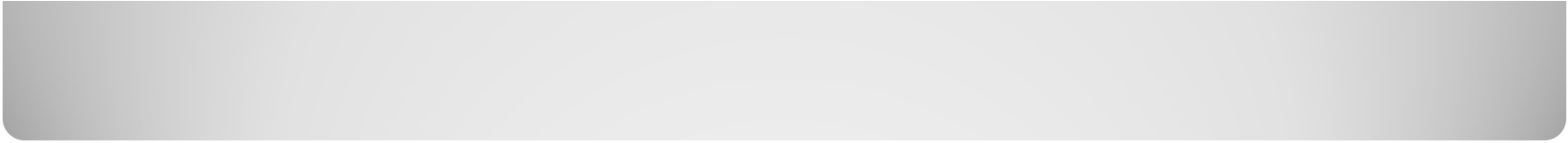
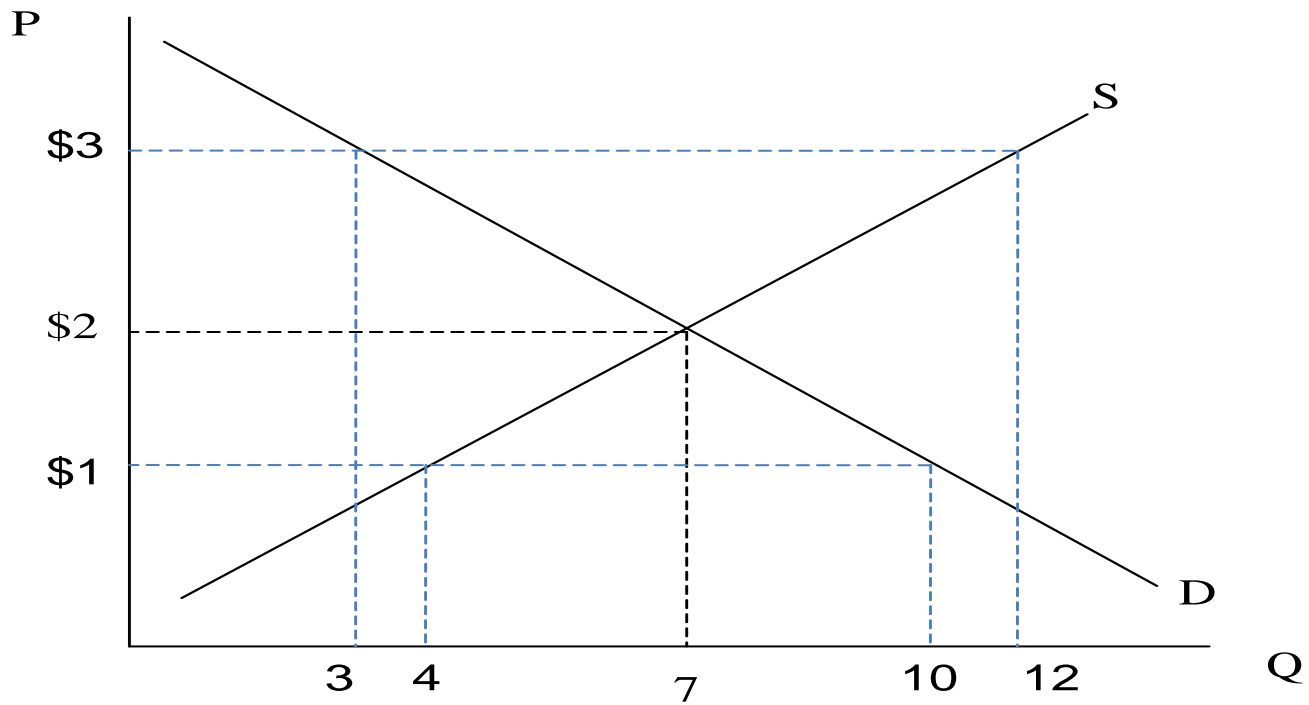
- human capital, working conditions, discrimination, government action

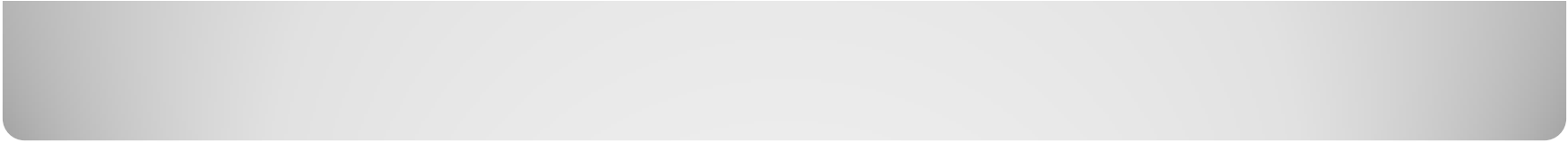
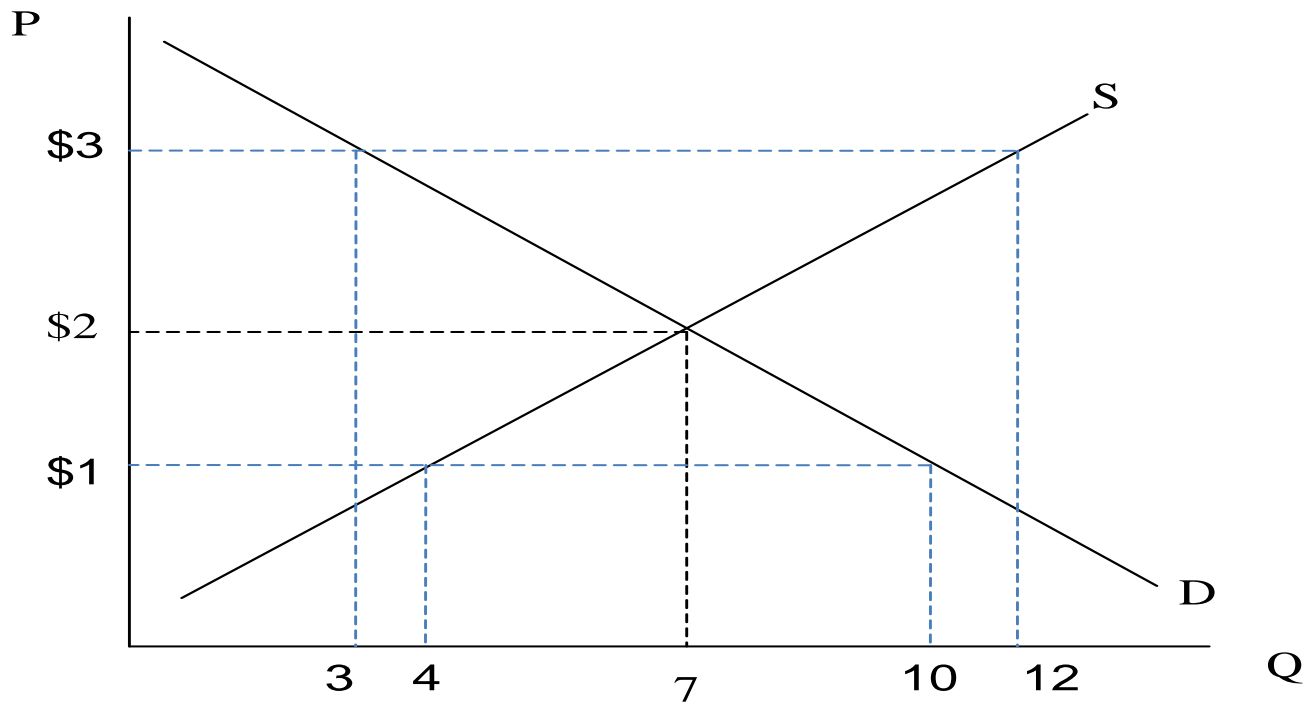
- Most jobs in the US today are in which sector?

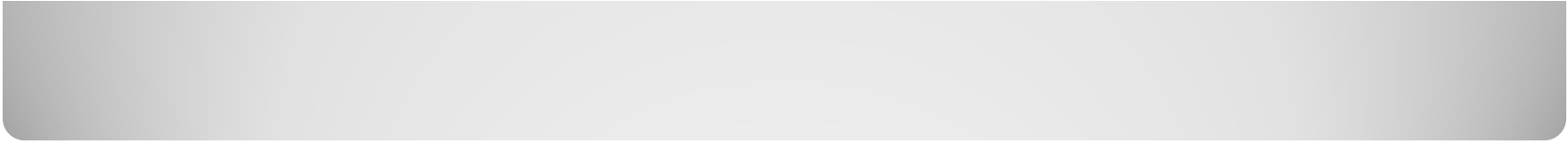
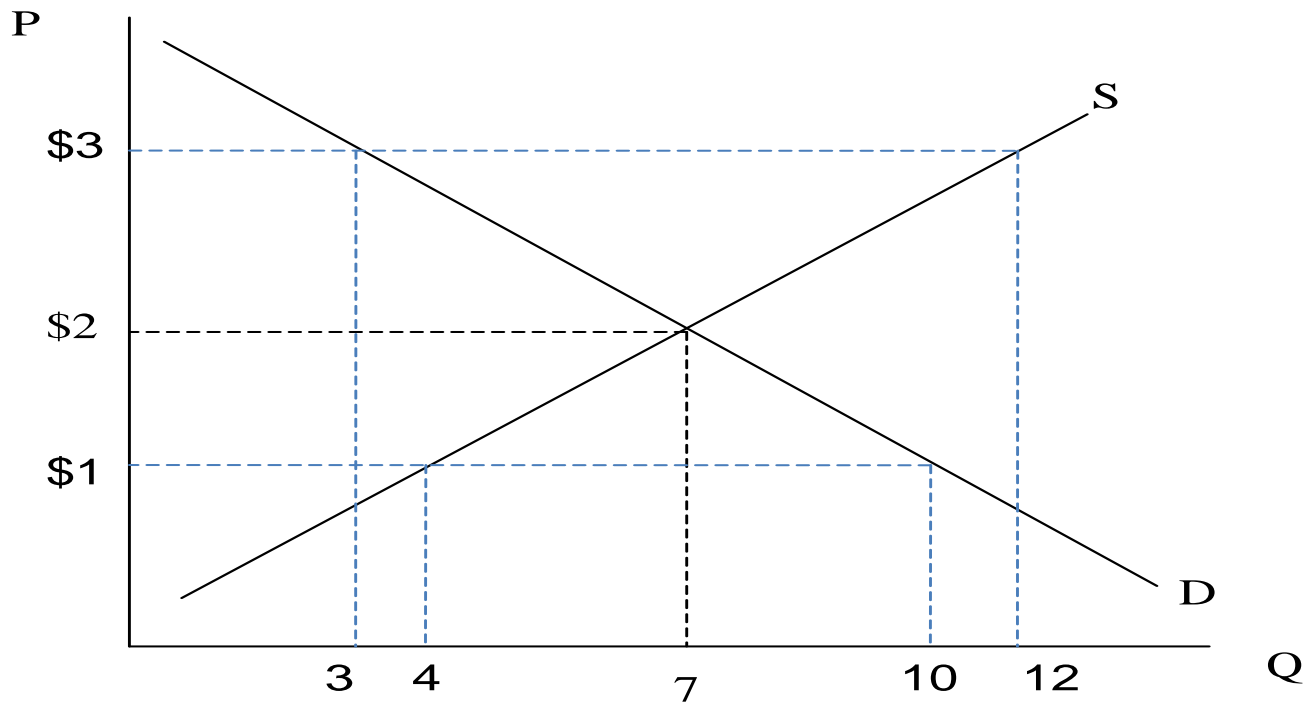
- Tertiary



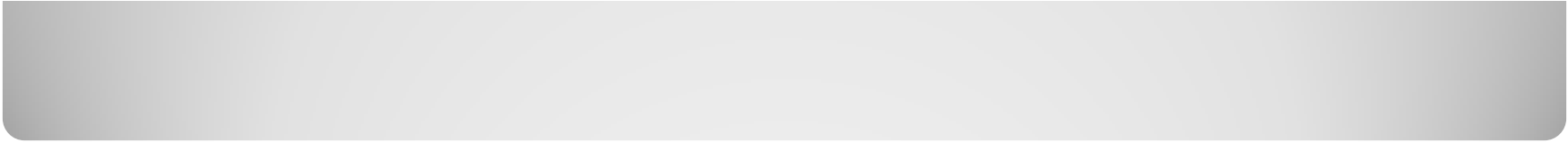
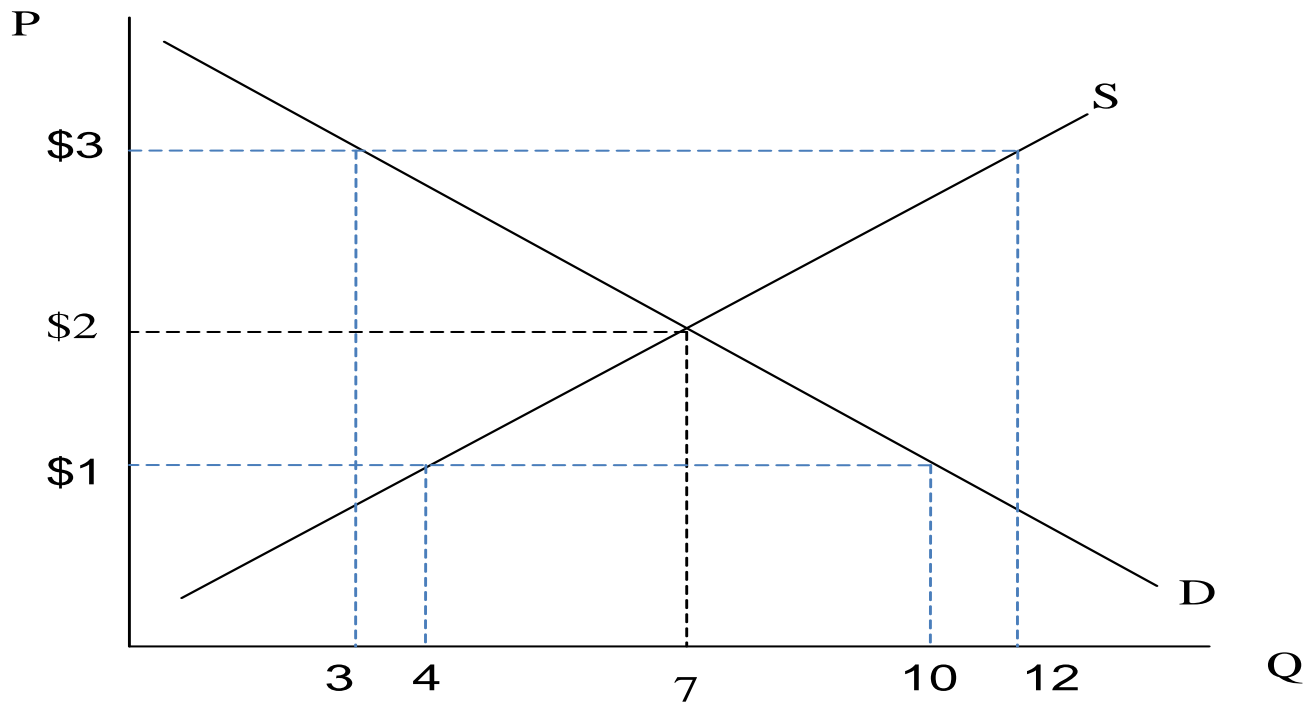












- PPC is an acronym for

- Production possibilities curve

- Refer to the PPC on the board.
- Suppose there was a change in technology that made it easier to produce butter. What shift would occur?



- Suppose this country lost some of its territory in a war. What shift would occur?



- Suppose the swine flu kills 10% of the country's population. What shift would occur?





- At which point is the economy producing all butter and no guns?



- Which point shows underutilization?



- Which point shows an impossible level of production?



- Name all of the efficient points on the PPC.





- Which point is efficient and shows a combination of guns and butter being produced?

- What is the equation for calculating GDP?

- Consumption+investment+government+net exports

- Gross domestic product (GDP) adjusted for changes in prices is called

- Real GDP

- Investment (in the GDP equation) measures what?

- What businesses spend on improving their business and increases in inventory



- Who is the chairman of the Fed?

- Ben Bernanke

- What type of money is issued by the United States government?

- Fiat money

- an increase in the general price level

- Inflation

- situation in which the demand for goods rises faster than the production of goods

- Demand pull inflation



- a situation in which an increase in production costs leads to an increase in prices

- Cost-push inflation

- a measure of changes in the prices of goods and services purchased by consumers

- CPI