

ECON FINAL STUDY GUIDE 2011 (ACCEPTED ON TEST DAY ONLY)

What is economics?

What is utility?

What is opportunity cost?

What is the difference between a want and a need?

Into what four categories do economists divide factors of production?

What does the saying "There is no such thing as a free lunch" mean?

Give an example of a positive economic statement.

Give an example of a normative economic statement.

What is the basic economic problem?

With voluntary exchange, who benefits?

In a market economy, the real power in the market place is held by the

When a nation's economy privatizes, this means...

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

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

An economic system in which people have free will to participate in the market as they choose is what type of economy?

In economic terms, laissez faire means

In the marketplace, what is the goal of producers?

What are public goods are funded by?

A person who does not pay for a service but benefits from it is called a...

An externality is a side effect of a transaction that affects...

An example of a **negative** externality is

An example of a **positive** externality is

What two factors are necessary for demand?

What is the law of demand?

What factors affect demand?

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

What does an inelastic demand curve look like?

What type of products has inelastic demand?

Give an example of a set of complementary goods.

When the price of a good increases, the demand for its complement_____.

Give an example of a set of substitute goods.

When the price of a good increases, the demand for its substitute_____.

Supply is defined as

The law of supply states that

The ease of changing production to respond to price change determines_____.

_____price is the price at which the quantity of a product demanded by consumers and the quantity supplied by producers are equal.

What factors affect supply?

Why would suppliers reduce their prices?

What signal do high prices give consumers?

Lower prices generally motivate consumers to do what?

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

An increase in supply of a product causes equilibrium price and quantity to do what?

An increase in demand for a product causes equilibrium price and quantity to do what?

A decrease in demand for a product causes equilibrium price and quantity to do what?

A decrease in supply of a product causes equilibrium price and quantity to do what?

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

The main difficulty of a barter system is finding

What are the 3 functions of money?

What is the setup of the Federal Reserve System?

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

Who is the Chairman of the Fed?

What are liquid assets?

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

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

Temporary unemployment experienced by people changing jobs is called _____

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

A recession often causes _____ unemployment.

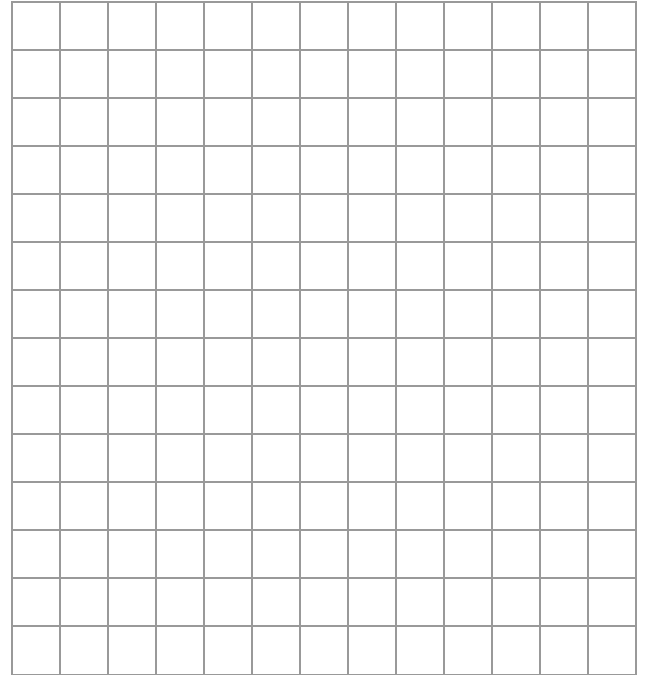
Mary went to dental school but is working as a cashier. Mary is considered to be _____

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

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

Graph the following information. Label the graph correctly.

Price	Quantity supplied	Quantity Demanded
100	100	20
\$80	80	40
\$60	60	60
\$40	40	80
\$20	20	100



What is the equilibrium price and quantity?

What is the situation at a price of \$40 and by how much?

What is the situation at a price of \$100 and by how much?

What is the quantity supplied at a price of \$20?

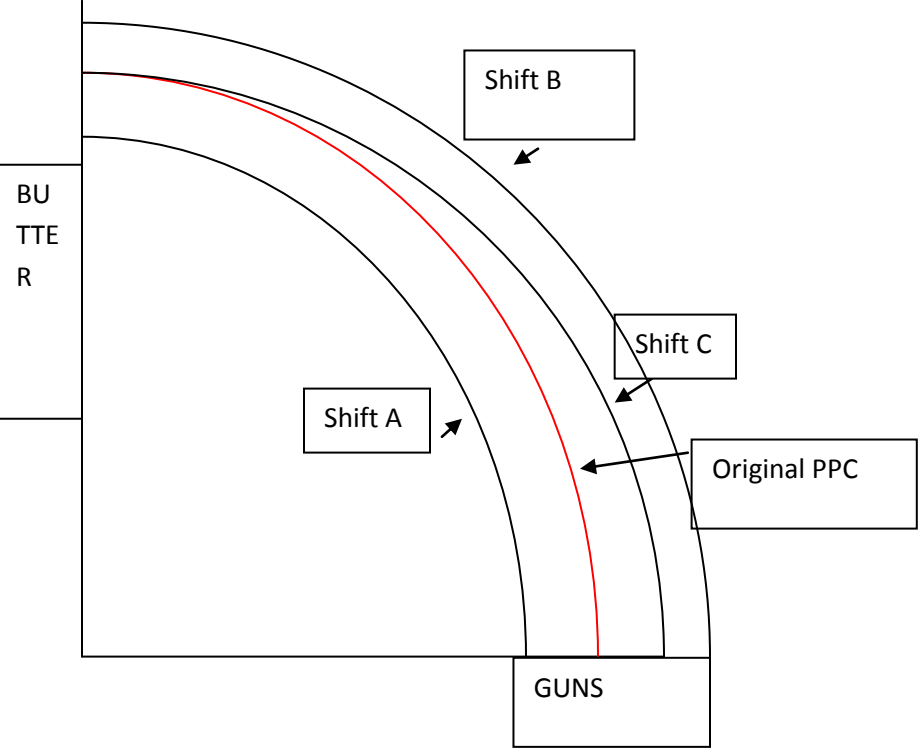
What is the quantity demanded at a price of \$80?

What is total revenue at equilibrium?

What is a price ceiling and what situation does it cause? Give an example of a price ceiling and graph it.

What is a price floor and what situation does it cause? Give an example of a price floor and graph it.

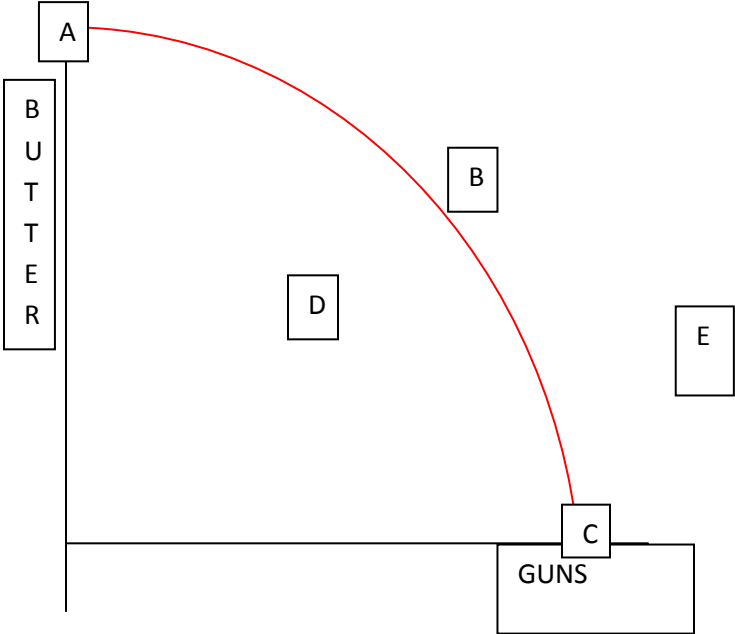
PPC is an acronym for



Suppose there was a change in technology that made it easier to produce guns. What shift would occur? _____

Suppose this country lost territory in a war. What shift would occur? _____

Suppose a largely illiterate population now learns to read. What shift would occur? _____



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

Which point shows underutilization? _____. What might unemployment be like at this point, high or low? _____

Which point shows an impossible level of production? _____

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

Assume that an initial savings of \$600 occurs and the reserve ratio is 10%. Calculate the Deposit, Reserve and Loan for each of the 5 next potential transactions.

	Deposit	Reserve	Loan
Loan 1			
Loan 2			
Loan 3			
Loan 4			
Loan 5			
		Total Amount Loaned	

Now use the money multiplier to determine the maximum amount of money that could be created from this \$600 deposit. _____

What is the equation for calculating GDP?

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

What is meant by investment in the GDP equation?

Compute the GDP for the country described. Also calculate C, I, G and X. Population =100

\$70 Public education

\$10 groceries purchased

\$20 Food and beverages sold to Chili's

\$10 books shipped to Australia

\$20 Increase in inventory of Chrysler cars

\$10 new housing construction

\$50 Roads and police force

\$20 Military protection

\$10 tires sold to Chrysler

\$50 improvements to businesses

\$50 tires sold to consumers

\$10 Toys imported from China

GDP=

C=

G=

I=

X=

GDP per capita=

Who is not included in the civilian labor force?

What is the natural unemployment rate?

What is meant by full employment?

What type of money is issued by the United States government?(not the dollar)

An increase in the general price level is called _____

A situation in which the demand for goods rises faster than the production of goods is called _____.

Graph how this occurs.

A situation in which an increase in production costs leads to an increase in prices is called _____.

Graph how this occurs.

A tool used to measure of changes in the prices of goods and services purchased by consumers is called _____

Of the 500 people surveyed, 100 are not working. The status of those who are not working is as follows:

- 25 just lost their jobs at a factory due to downturn in the economy, but are looking for work.
- 10 just lost their jobs at a factory due to new technologies, but have decided to go back to school.
- 10 are students age 17 who are looking for summer work.
- 10 were looking for a job, but became discouraged and quit looking.
- 10 are in mental hospitals.
- 10 are under 16 years old.
- 15 are working for cash that is not reported as taxable income.
- 10 just finished their education and are looking for a job.

- a. What is the number unemployed? _____
- b. What is the number in the labor force? _____
- c. What is the unemployment rate? _____

	1995	1996	1997
tacos	.75	.75	1.00
soda	.50	.65	.85
gas	1.00	1.50	1.85
Econ books	2.00	1.75	2.50
Price of basket			
CPI, Base Year 1995			

What was the rate of inflation from 1995-1996? _____

What was the rate of inflation from year 1996-1997? _____

What was the rate of inflation from 1995-1997? _____

What was the percentage change in the price of econ books from 1995-1996? _____

What was the percentage change in the price of tacos from 1995 to 1996? _____

What is a subprime mortgage?

What is a bubble?

What is a NINJA loan?

Explain how the housing market contributed to the current economic crisis.