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Hour: _____

Economics Final Exam Review

Directions: Use this study guide to help prepare for the final exam. Write as many notes as you need, either on this sheet or on a separate sheet(s) of paper. You will not be graded on the study guide, but you will be allowed to use the review when taking the final exam.

Define Capital (in terms of economics) -

Define Factors of Production -

What type of graph is used to show the alternative ways for using an economy's resources?

Define (and understand) a "Guns or Butter" decision -

What is Opportunity Cost (hint: What makes it different from a simple trade-off)?

Define Competition-

What are the main three economic decision questions?

What is an important advantage to a free market system?

What is the government's role in a free enterprise system?

For what main purpose do manufacturers sell products?

Which type of economic system did Adam Smith believe in?

In a centrally planned economy, who makes all the decisions?

What is the function of an economic system?

What type of economic system provides for a wide variety of goods and services?

What method best shows businesses what individuals desire?

Define Gross Domestic Product (GDP)-

How do consumers create demand?

The United States economy is based on which type of system?

How does a price increase affect the demand (buying habits) for an inelastic product?

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What is the basic principle of the Law of Demand?

What is a company's total revenue?

When prices rise, what happens to a person's income?

When the selling price of a good goes up, what happens to the quantity supplied?

When wages are set above the equilibrium wage, how do firms respond in terms of employment?

When is the Equilibrium point reached?

Why did communist governments attempt to use a command economy?

What will happen to the price of a good if there is an increase in supply above the equilibrium point?

Define rationing (in economic terms) –

Who controls the output in a natural monopoly?

Define Oligopoly -

What percentage of businesses are sole proprietorships?

If a general partnership fails, who is responsible for the debts?

Define Vertical Merger -

What is the major difference between a corporation and other types of businesses?

Define Royalties (hint: in terms of the franchise model) -

What is a fringe benefit?

All of the money, capital, and other valuables that belong to a company are called...

What happens to the quantity of labor demanded in low-paying (entry-level) jobs when minimum wage increases?

What is the purpose of the Federal Deposit Insurance Corporation (FDIC)?

What type of banking system did the Federalists feel was necessary?

What is a mortgage used to purchase?

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What aspect (trait) of money makes coins a good currency choice?

What is a bank run?

Who is actually paying for products and/or services when a purchase is made with a credit card?

What is the largest source of income for banks?

Define and know examples of Financial Intermediaries.

What is the main purpose of diversification as an investment policy?

What type of bond would a local government use to finance a new building project?

When you invest in a mutual fund, where does the money go (into what types of investments)?

When will a stock split most likely occur?

What is a durable good? Be able to identify an example.

What are the main variables that affect business cycles?

Define Real GDP -

The lowest point in an economic contraction is called...

What is the difference between seasonal unemployment and structural unemployment?

When the economy is working properly, what is the typical percentage range of unemployment?

What makes up a typical market basket that is used to calculate prices?

What does it mean for a person to be underemployed?

What is responsible for inflation according to the demand-pull theory?

In the cost-push theory of inflation, what is responsible for inflation?

What do taxes collected under FICA fund?

What do Social Security taxes pay for?

Define Entitlement -

What is the major source of tax revenue for local governments?

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Who puts the federal budget together each year?

When you buy a United States Saving Bond, what is actually happening to your money?

What is the Office of Management and Budget responsible for?

Define Contractionary Fiscal Policy and be able to identify an example.

Supporters of supply-side economics believe that taxes have what type of effect on the economy?

How could the Federal Reserve encourage banks to lend more money?

When would the Federal Reserve (the Fed) use tight money policy? (define tight money policy)

Why does a bank hold excess reserves?

When would the Federal Reserve (the Fed) use easy money policy? (define easy money policy)

Define Trade Deficit -

What happens to a nation's goods when its currency depreciates?

What does "most-favored-nation" (MFN) status mean to a country in terms of tariffs?

Define Infant Industry -

What is the European Union (EU)?

Canada, Mexico, and the United States have eliminated trade barriers through which treaty?

Define Per Capita Gross Domestic Product -

A high level of energy consumption rates in a country indicate that it is operating at a high level of...

What is "Brain Drain"? Be able to identify an example of "brain drain".

What was the purpose of the Marshall Plan?

What is the largest global provider of development assistance?

What is the most important reason that two countries can have the same GDP but have vastly different standards of living?

What is Foreign Direct Investment? Be able to identify an example.