

ECONOMICS

Final Exam Study Guide MICROeconomics

For further review see corresponding page numbers from text "Understanding Economics" McGraw Hill

<p>Product Market</p> <p style="text-align: center;">Resource/Factor Market</p>	<p>The Circular Flow of Goods and Services p. 25</p> <p>Factor Market:</p> <p>Product Market:</p> <p>"a" represents tax revenue from households "b" represents government purchase of goods and services from firms, give an example:</p> <p>"c" represents tax revenue from firms "d" represents government purchase of goods and services from households, give an example:</p>
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Key Economic Concepts

Scarcity:

Opportunity Cost:

Resource Market: Factors of Production p.14-16

Natural (land):

Human (labor):

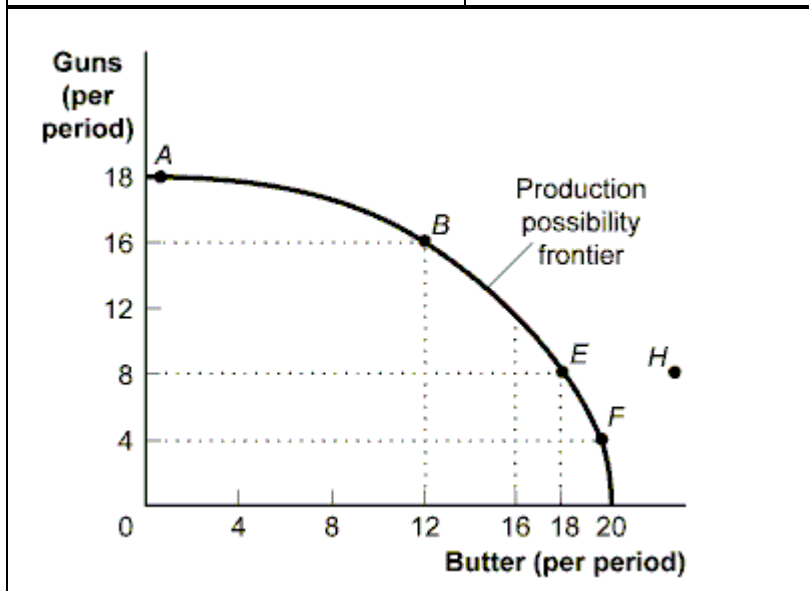
Physical Capital:

Free Market Economy

Command Economy

Human Capital:
 Review figure 1.8 on p.23

Entrepreneurship:



Production Possibilities Curve (PPC) p. 16-17

1. What does the PPC represent?
2. What do points A,B,E, and F represent?
3. What does point H represent?
4. What would be inefficient levels of Gun and Butter production?

Adam Smith:

Microeconomics:

Macroeconomics:

Shortage:

Surplus:

Equilibrium:

What is the Law of Demand? p. 104

What is the Law of Supply? p. 129

Elastic Demand:

Inelastic Demand:

Specialization: p. 23-24

Changes in Demand and Supply (Shifting the Curve) Ch. 4-6

What changes demand? (6 Shifters of Demand)
p. 110-113

What changes supply? (8 Shifters of Supply)
p. 132-133

For each of the following, indicate

- which graph shows the appropriate shift in the market (see right)
- the resulting price and quantity
- the shifter (see above)

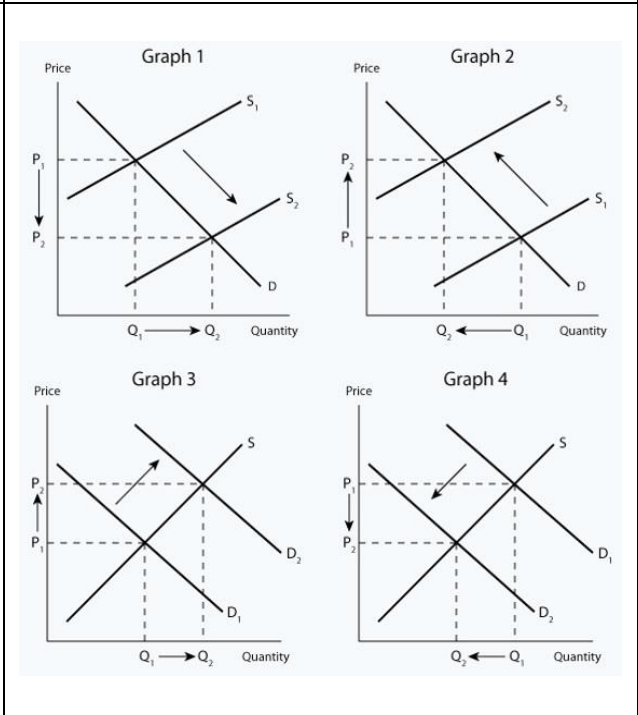
1. What will happen to the *market for shoes* if production costs rise?
Graph: ____ Price: ↑ or ↓ Quantity: ↑ or ↓

Shifter: _____
2. What will happen to the *market for jelly* if the price of peanut butter goes down?
Graph: ____ Price: ↑ or ↓ Quantity: ↑ or ↓

Shifter: _____
3. What will happen to the *market for hamburgers* if consumer incomes drop?
Graph: ____ Price: ↑ or ↓ Quantity: ↑ or ↓

Shifter: _____
4. What will happen to the *market for cars* if the government subsidizes their production?
Graph: ____ Price: ↑ or ↓ Quantity: ↑ or ↓

Shifter: _____



Why are prices important? p. 154-156

Price Ceiling:

Price Floor:

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Evaluating the Economy Ch. 12 lesson 1													
Real GDP:													
Real GDP Per Capita:													
Components of GDP: C+I+G+(X-M)													
Consumer Sector (C):													
Investment Sector (I):													
Government Sector (G):													
Net Foreign Sector (X-M):													
Distribution of Income: p.354													
Reasons for Income Inequality:													
<p>The Business Cycle</p> <p style="text-align: center;">Economic Activity (real GDP)</p> <p style="text-align: center;">TIME</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 10%; text-align: center;">#</th> <th style="text-align: left;">Phase of the Business Cycle</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Trough</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Peak</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Expansion</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Contraction</td> </tr> <tr> <td colspan="2">Recession:</td> </tr> </tbody> </table>	#	Phase of the Business Cycle	1	Trough	2	Peak	3	Expansion	4	Contraction	Recession:	
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Recession:													
What factors lead to economic growth? (shifters of the PPC p.21-22)													
Inflation: p.375													
Causes of Inflation: p. 378-379													
Consequences of Inflation: p.380-381													
Sources of Unemployment: p.386-387													
<ol style="list-style-type: none"> 1. 2. 3. 													
Full Employment:													
Progressive Tax: p. 404-405													
Regressive Tax:													
Fiscal Policy: p.438-443													
Demand Side Fiscal Policy:	Supply-Side Fiscal Policy:												

Describe the responsibilities (functions) of the Federal Reserve System. P. 467-468

Monetary Policy: p.472-475

Interest Rate:

Reserve Requirement:

Discount Rate:

Open Market Operations:

Which monetary policy tool is most used by the Fed?

Explain the relationship between specialization and trade. P. 495

Absolute Advantage:	Comparative Advantage:
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Trade Deficit:

Trade Surplus:

Tariff:

Foreign Exchange Market:

Diversification:

Risk:

401(k): p.322

Dow Jones Industrial Average: p.325

Standard & Poor's 500:

Bull Market:

Bear Market:

What is the value of learning how to properly budget your money? P. 558

How do credit card companies make money? P. 565

Portfolio diversification:

Mutual Fund:

IRA:

Premium:

Deductible: