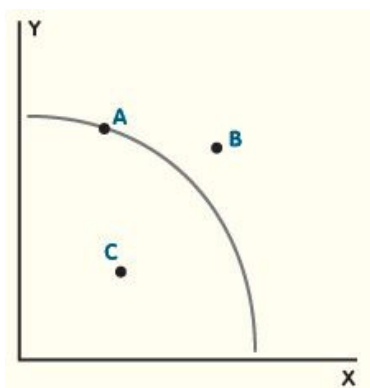


STUDY GUIDE FOR ECONOMICS FINAL EXAM

NAME _____
Hr _____

CHAPTER 1: What is Economics?

1. Define OPPORTUNITY COST(8):
2. Define INCENTIVE(14):
3. What are the incentives to going to college?
4. Define PRODUCTION POSSIBILITIES FRONTIER (10):



5. In the graph above, what causes the economy to be at point B?

CHAPTER 2: Economic Systems and the Global Economy

1. Complete the following chart. Identify the 3 economic questions every society must answer and how the economic systems respond to the questions (32-33)

3 Economic Questions	Free Enterprise	Socialism/ Command

CHAPTER 3: Free Enterprise

1. What is the difference between public & private property? (56-57)
2. List the 5 features of free enterprise. (57-59)
3. What is the difference between an excludable public good & a non-excludable public good? (74-75)
 - a. Example of an excludable good: (75-76)
 - b. Example of a non-excludable good: (76)
4. Define CIRCULAR FLOW OF ECONOMIC ACTIVITY IN THE U.S. ECONOMY CHART: (60)
5. Draw the circular flow chart below. Be sure to include: *Business, Household, Product Market, Resource Market, & Government*

6. Define EXTERNALITIES (78)

CHAPTER 4: Demand

Define the following:

1. DEMAND (90)
2. LAW OF DEMAND (90-91)

3. DEMAND SCHEDULE (92-93)
4. DEMAND CURVE (93)
5. List the 5 factors that cause the demand curve to shift - remember the acronym.
6. Fill in the table below: (96-97)

	Definition	Example
Normal Good		
Inferior Good		
Neutral Good		

CHAPTER 5: Supply

Define the following:

1. SUPPLY (112)
2. LAW OF SUPPLY (112)
3. SUPPLY SCHEDULE (114)
4. SUPPLY CURVE (115)

5. List the 6 factors that cause the supply curve to shift - remember the acronym.

6. Explain how weather could change supply.

CHAPTER 6: Price - Supply and Demand Together

Define the following:

1. SURPLUS (130)

2. SHORTAGE (131)

3. EQUILIBRIUM (131)

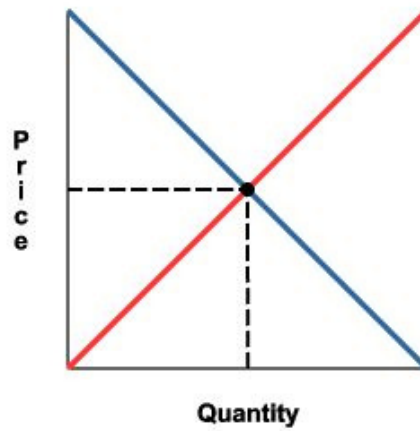
4. Draw a supply AND demand graph. Label the following points: *price, quantity, supply, demand, and equilibrium*

5. What happens to price when there's a surplus? Why? (131)

6. What happens to price when there's a shortage? Why? (131)

7. Supply & Demand work together to determine what? Why? (130-131)

8. Using the graph below, show what happens *if supply increases & demand stays the same*. (134)



Chapter 7: Business Operations

List the characteristics of each type of business firm

<i>Sole Proprietorship (160)</i>	<i>Partnership (162)</i>	<i>Corporation (163)</i>

CHAPTER 8: Competition and Markets

<i>Market Structure</i>	<i># of sellers</i>	<i>Type of product</i>	<i>Barriers? (many or few)</i>	<i>Example</i>
<i>Perfect Competition (189)</i>				
<i>Monopoly (194)</i>				
<i>Monopolistic Competition (206)</i>				

1. Define ANTI-TRUST LAWS (199):
2. Define PRICE DISCRIMINATION (215):

CHAPTER 9: Labor, Employment and Wages

1. Define WAGE RATE (224)
2. How does a change in demand change wages? Draw a graph to illustrate your answer. (226)
3. How does a change in supply change wages? Draw a graph to illustrate your answer. (226)
4. Define LABOR UNION (226)

CHAPTER 10: Money, Banking and the Federal Reserve System

1. Define MONEY(257)
2. Define FRACTIONAL RESERVE BANKING (262)
3. Define the following:
 - a. FEDERAL RESERVE SYSTEM (270)
 - b. REQUIRED RESERVES (274)
 - c. EXCESS RESERVES (275)
4. What do banks do with excess reserves? (275)
5. Fill in the table by listing if the money supply increases or decreases due to what the Fed does with each monetary tool. (280-282)

FED MONETARY TOOL	MONEY SUPPLY (Increase or Decrease)
OPEN MARKET OPERATION Buy government securities Sell government securities	
REQUIRED RESERVES Raise Reserve Requirement Lower Reserve Requirement	
DISCOUNT RATE Raise Discount Rate Lower Discount Rate	

CHAPTER 11: Measuring Economic Performance

1. Define GROSS DOMESTIC PRODUCT (GDP) (288)
2. What GDP omits—finish table below. (290-291)

ITEM	EXAMPLE
Illegal Goods and Services	Selling illegal drugs

3. Write the equation for GDP & Explain each component: (293-294)

$$\text{GDP} = \underline{\hspace{2cm}} + \underline{\hspace{2cm}} + \underline{\hspace{2cm}} + (\underline{\hspace{2cm}} + \underline{\hspace{2cm}})$$

4. Define REAL GDP: (297)
5. Define PRICE INDEX: (301)

6. How do economists compare the material standard of living among nations?

CHAPTER 12: Economic Changes and Cycles

1. Define INFLATION (312)
2. Define VELOCITY (315)
3. How does aggregate supply & aggregate demand affect inflation? (313-315)
4. Define DEFLATION (319)
5. Define: CYCLICAL UNEMPLOYMENT:
6. Define BUSINESS CYCLE: (323)
7. Draw & label the phases of a business cycle: (323)
8. Define ABSOLUTE REAL ECONOMIC GROWTH (329):

CHAPTER 13: Fiscal and Monetary Policy

Define:

1. EXPANSIONARY MONETARY POLICY:
2. CONTRACTIONARY MONETARY POLICY:
3. EXPANSIONARY FISCAL POLICY:

4. CONTRACTIONARY FISCAL POLICY:

5. What would happen to aggregate demand if...? (increase or decrease)

Discount Rates were raised?

Fed buys government bonds?

Fed raises reserve requirements?

CHAPTER 14: Taxing and Spending

Define the following:

1. NATIONAL DEBT: (377)

2. BUDGET DEFICIT: (383)

3. BUDGET SURPLUS: (383)

CHAPTER 15: International Trade and Economic Development

Define the following:

1. EXPORTS: (394)

2. IMPORTS: (395)

3. SPECIALIZE (397)

4. COMPARATIVE ADVANTAGE(397)

5. BALANCE OF TRADE: (396)

6. How should a country decide what it should specialize in?