*Your responses here must come from what we discussed in class (your notes) not from the internet. Your review quiz and your final exams have been written based off of class discussions, not from the internet.*

| What is the **Circular Flow of the Economy** showing? | The circular flow of the economy is showing how goods and services and resources are being shipped around in firms to households. It shows how money, goods, and services flow through our society |
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| Why is the economy like a toddler? What do we like to see out of a toddler and our **economy**? | Because we want to see how our economy grows overtime and be successful like how we want to see our toddler succeed. We want to see our toddler grow |
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What are the **3 goals** that countries have for their economy?

| Reduce/Control Inflation |
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| Reduce/Limit Unemployment |
| Promote growth |

| What does **GDP** measure? | GDP measures how well the U.S. is doing financially.GDP measures the monetary value of final goods and services—that is, those that are bought by the final user |
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| Why is the word “domestic” so important in the term **Gross Domestic Product**? | The word Domestic is important because it means the whole country's economy. Our individual country economy |
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| What is the mnemonic device that can help you remember **C + I + G + (X-M)**? | Can I get x men |
| --- | --- |

**Categories Making Up GDP Photo Example**

| Consumer Expenditures | Processed Foods and Heart Problems - Why Processed Foods Are Bad for Your  Heart |
| --- | --- |
| Investment Goods | What Are Capital Goods? |
| Government Expenditures |  |
| Exports and Imports | Imports and Exports - Overview, GDP Formula, Balance of Trade |

| How would you explain the concept of “**inflation**” to someone? | Inflation is when the prices of products in a country rise to a very high level. |
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| What is a **market basket**? | The market basket is when the government tracks the same goods and services each year.A selection of goods and services that are constantly sold and purchased throughout the economic system |
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| What does the consumer price index help us determine? | The price of the current year’s market basket is compared to the price of a base year’s market basket in order to come up with a price index number.It helps us calculate the total amount we spent this year on goods or services. The CPI is used to determine the inflation rate or rate of inflation |
| --- | --- |

| What is **demand pull inflation**? | More demand/increases to demand pulls up prices |
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| What is **cost push inflation**? | Higher Production COSTS Increases prices. More product higher prices |
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| Why is **inflation** important/relevant to you and your future? | I should understand that prices will rise every year, because the population is growing, more people, more work force, so I need to raise prices in order to benefit everyone. I should also understand that there will be more supply with a growing population.I need more money so they need to raise the prices |
| --- | --- |

| Why is it that many people that don’t have a job might not be considered to be **unemployed**? | It is because they do not have time to work, they don’t want to work, they are not physically able to work. A ordinary housewife isn’t unemployed because she doesn’t want to work and need to take care of their children |
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**3 Types of Unemployment Photo Example**

| Frictional Unemployment |  |
| --- | --- |
| Cyclical Unemployment | 30 Actors Who Were Cut Out of Movies in Post-ProductionActors were laid off because of the pandemic |
| Structural Unemployment | U.S. Factories Closing Due to Coronavirus Concerns but Some Must Keep  Producing |

| What does the **business cycle** show? | The business cycle shows how the economy is doing and the real GDP is doing.It also shows how a nation's real GDP fluctuates over time, going through phases as aggregate output increases and decreases. Over the long period of time, the business cycle shows a steady increase in potential output in a growing economy. |
| --- | --- |
| What does the wavy curve on the business that goes up and down represent? | The wavy curve represents the growth and decline of the GDP. The national economy fluctuates in periods of booms and bust. |

| What is a **recession**? | A recession is a 6 month period of decline in output, income, employment, and trade. A 6 month period of decline in GDP |
| --- | --- |
| What are some reasons why a **recession** would be bad for people? | A recession would be bad for people because It would cause cyclical unemployment |

| What is a **depression**? | A prolonged and severe recession  Severe declines in  Production/output  Income  Employment |
| --- | --- |

| What is an **expansion**? | A period where there is an increase in GDP |
| --- | --- |
| What is a reason why an **expansion** could be good for people? | A expansion is good for people because it can lower unemployment rates  Increase in  Production/Output  Income  Employment |

| Explain the connection between   * a car & Goldilocks and the 3 Bears   to an **economy** | Goldilock and the 3 bears got an equal amount of honey, like hoe we need to have not too much or not to less of inflation and unemployment, higher the prices the less people will buy less. You also need to think about your actions in spending, how it can hurt you and the others arounds you , if you spend too much then there’ll be inflation, if you spend less low inflation and high unemployment. |
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| What **government entity** carries out fiscal policy? | Congress |
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| What are the 2 fiscal policy actions that can be taken to **speed up/expand** the economy? | Expansionary- Reduce taxes and increase government spending |
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| What are the 2 fiscal policy actions that can be taken to **slow down/contract** the economy? | Contractionary- Increase taxes and decrease government spending |
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