

Name: _____

Score: _____

69 Multiple choice questions

Definition

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Direct: Variable changes other does the same

Indirect: Variable changes other does the opposite

- ☐ Difference between direct and indirect relationships of variable
- ☐ The relationship between interest rates and investment
- ☐ The impact of advertising on consumer behavior
- ☐ The correlation between supply and demand

Definition

when the federal government spends more money than it receives in taxes in a given year

- ☐ **Balanced Budget**
- ☐ **Budget Deficit**
- ☐ **Trade Surplus**
- ☐ **Trade Deficit**

Term**Crowding Out**

- ☐ Increase in supply/demand
- ☐ Demand creates its own supply
- ☐ Federal spending and borrowing causes interest rates to rise and business investment to fall
- ☐ A legal minimum price

Term**Trade Surplus**

- ☐ A legal maximum price
- ☐ Exists when a nation's exports exceed its imports and it calculates them as exports - imports
- ☐ An economic statistic after it has been adjusted for inflation
- ☐ Supply creates its own demand

Definition

The economic statistic actually announced at that time; not adjusted for inflation

- ☐ **Aggregate Monetary Value**
- ☐ **Nominal Value**
- ☐ **Future Value**
- ☐ **Real Value**

Definition

The maximum quantity that an economy can produce given full employment of its existing levels of labor, physical capital, technology, and institutions

- ☐ **Aggregate Gdp**
- ☐ **Real Gdp**
- ☐ **Actual Gdp**
- ☐ **Potential GDP**

Term

Allocative Efficiency

- ☐ Unemployment closely tied to the business cycle, like higher unemployment during a recession
- ☐ When the mix of goods produced represents the mix that society most desires
- ☐ When it is impossible to produce more of one good (or service) without decreasing the quantity produced of another good (or service)
- ☐ Unemployment that occurs because individuals lack skills valued by employers

Definition

Workers are overqualified for their jobs or work fewer hours than they would prefer

- ☐ **Change In Supply/Demand**
- ☐ **Hyperinflation**
- ☐ **Underemployment**
- ☐ **Frictional Unemployment**

Term

Right Shift

- ☐ Increase in supply/demand
- ☐ Decrease in supply/demand
- ☐ Demand: population, income, prices of substitute or complement goods
Supply: change in price of capital goods, natural disasters, change in producers
- ☐ Demand creates its own supply

Definition

Unemployment closely tied to the business cycle, like higher unemployment during a recession

- ☐ **Frictional Unemployment**
- ☐ **Natural Unemployment**
- ☐ **Cyclical Unemployment**
- ☐ **Structural Unemployment**

Definition

A tax on people who pass assets to the next generation—either after death or during life in the form of gifts

- ☐ **Estate and Gift Tax**
- ☐ **Employment Tax**
- ☐ **Business Income Tax**
- ☐ **Individual Income Tax**

Definition

The branch of economics that focuses on broad issues such as growth, unemployment, inflation, and trade balance

- ☐ **Normative Economics**
- ☐ **Capitalism**
- ☐ **Macroeconomics**
- ☐ **Microeconomics**

Term**Economics**

- ☐ When the government receives more money in taxes than it spends in a year
- ☐ A tax on a specific good—on gasoline, tobacco, and alcohol
- ☐ The study of how humans make choices under conditions of scarcity
- ☐ When human wants for goods and services exceed the available supply

Term

Financial Intermediary

- **When it is impossible to produce more of one good (or service) without decreasing the quantity produced of another good (or service)**
- **An inflation rate calculated using a fixed basket of goods over time tends to overstate the true rise in the cost of living, because it does not take into account that the person can substitute away from goods whose prices rise considerably**
- **A situation in which two people each want some good or service that the other person can provide**
- **An institution that operates between a saver with financial assets to invest and an entity who will borrow those assets and pay a rate of return**

Definition

A monetary policy that reduces the supply of money and loans

- ☐ **Expansionary Fiscal Policy**
- ☐ **Reverse Quantitative Easing Policy**
- ☐ **Expansionary Monetary Policy**
- ☐ **Contractionary Monetary Policy**

Term

Characteristics of a free market system

- ☐ **Satisfaction, Usefulness, or Value One Obtains from Consuming Goods and Services**
- ☐ **Supply Creates its own Demand**
- ☐ **Private Ownership, Supply and Demand, Free Participation, Competition, and Voluntary Exchange**
- ☐ **Land, Labor, Capital and Entrepreneurship**

Term

Expansionary Fiscal Policy

- ☐ Fiscal policy that decreases the level of aggregate demand, either through cuts in government spending or increases in taxes
- ☐ A monetary policy that increases the supply of money and the quantity of loans
- ☐ Increase in supply/demand
- ☐ Fiscal policy that increases the level of aggregate demand, either through increases in government spending or cuts in taxes

Definition

A situation in which two people each want some good or service that the other person can provide

- ☐ **Double Coincidence of Wants**
- ☐ **Invisible Hand**
- ☐ **Medium of Exchange**
- ☐ **Balance of Trade**

Term**Keynes' Law**

- ☐ Demand and supply are never equal
- ☐ Aggregate demand tends to be smaller than aggregate supply
- ☐ Demand creates its own supply
- ☐ Supply must always exceed demand to curb inflation

Term

Excise Tax

- ☐ A tax imposed on corporate profits
- ☐ A tax based on the pay received from employers; the taxes provide funds for social security and medicare
- ☐ A tax on a specific good—on gasoline, tobacco, and alcohol
- ☐ A tax on people who pass assets to the next generation—either after death or during life in the form of gifts

Definition

A general and ongoing rise in price levels in an economy

- ☐ Inflation
- ☐ Deflation
- ☐ Recession
- ☐ Scarcity

Definition

A good that can replace another to some extent, so that greater consumption of one good can mean less of the other

- ☐ Independent Goods
- ☐ Complement Goods
- ☐ Complimentary Goods
- ☐ Substitute Goods

Term

Budget Surplus

- ☐ Workers are overqualified for their jobs or work fewer hours than they would prefer
- ☐ When the government receives more money in taxes than it spends in a year
- ☐ Exists when a nation's exports exceed its imports and it calculates them as $\text{exports} - \text{imports}$
- ☐ When human wants for goods and services exceed the available supply

Definition

Minimum amount of money that banks must have on them at all times

- ☐ **Balanced Budget**
- ☐ **Actual Reserve Requirement**
- ☐ **Fractional Reserve Requirement**
- ☐ **Excess Reserve Requirement**

Definition

Positive: how the world is

Normative: how the world should be

- ☐ **How to calculate GDP growth rates**
- ☐ **Difference between positive and normative statements**
- ☐ **Similarities between economic theories and practices**
- ☐ **The effects of inflation on purchasing power**

Term**Fiscal Policy**

- ☐ **Economic policies that involve the regulation of interest rates**
- ☐ **Economic policies that involve government spending and taxes**
- ☐ **Economic policies that involve the control of money supply**
- ☐ **Neither a or b**

Definition

The branch of economics that focuses on actions of particular agents within the economy, like households, workers, and business firms

- ☐ **Behavioral Economics**
- ☐ **Demographics**
- ☐ **Macroeconomics**
- ☐ **Microeconomics**

Term

Law of Diminishing Marginal Utility

☐ Demand creates its own supply

☐ As we consume more of a good or service, the utility we get from additional units of the good or service tends to become smaller than what we received from earlier units

☐ Private Ownership, Supply and Demand, Free Participation, Competition, and Voluntary Exchange

☐ Supply creates its own demand

Definition

The value of the output of all final goods and services produced within a country in a year

☐ INFLATION

☐ GDP

☐ CPI

☐ GNP

Term

Say's Law

- ☐ Demand is the primary driver of prices
- ☐ Demand will always exceed supply
- ☐ Supply creates its own demand
- ☐ Demand and supply must be balanced for an economy to function

Definition

Decrease in supply/demand

- ☐ Hyperinflation
- ☐ Left Shift
- ☐ Neutropenia
- ☐ Right Shift

Definition

Land, Labor, Capital and Entrepreneurship

- ☐ Revenue
- ☐ Functions of Money
- ☐ Factors of Production
- ☐ Land, Labor, and Capital

Term**Structural Unemployment**

- ☐ **Minimum amount of money that banks must have on them at all times**
- ☐ **Unemployment that occurs as workers move between jobs**
- ☐ **Unemployment that occurs because individuals lack skills valued by employers**
- ☐ **Unemployment closely tied to the business cycle, like higher unemployment during a recession**

Definition

Managing U.S. monetary policy, regulating bank holding companies and other member banks, and monitoring systemic risk in the financial system

- ☐ **National Association Of Securities Dealers**
- ☐ **Federal Trade Commission**
- ☐ **Federal Deposit Insurance Corporation**
- ☐ **Federal Reserve Board**

Term

Functions of Money

○ Inflation calculated using a fixed basket of goods over time tends to overstate the true rise in cost of living, because it does not account for improvements in the quality of existing goods or the invention of new goods

○ Tax and spending rules that have the effect of slowing down the rate of decrease in aggregate demand when the economy slows down and restraining aggregate demand when the economy speeds up, without any additional change in legislation

Medium of Exchange: Whatever is widely accepted as a method of payment

Store of Value: Something that serves as a way of preserving economic value that one can spend or consume in the future

○ Unit of Account: The common way in which we measure market values in an economy

Standard of Deferred Payment: Money must also be acceptable to make purchases today that will be paid in the future

☐ Land, Labor, Capital and Entrepreneurship

Term

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Unemployment Rate

- ☐ Unemployment that occurs because individuals lack skills valued by employers
- ☐ Unemployment closely tied to the business cycle, like higher unemployment during a recession
- ☐ The percentage of adults who are in the labor force and thus seeking jobs, but who do not have jobs
- ☐ Without a job but actively looking for one

Definition

Adam Smith's concept that individuals' self-interested behavior can lead to positive social outcomes

- ☐ **Double Coincidence Of Wants**
- ☐ **Change In Supply/Demand**
- ☐ **Inflation**
- ☐ **Invisible Hand**

Definition

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Satisfaction, usefulness, or value one obtains from consuming goods and services

- ☐ **Marginal Revenue**
- ☐ **Total Utility**
- ☐ **Marginal Cost**
- ☐ **Marginal Utility**

Definition

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A tax imposed on corporate profits

- ☐ **Property Tax**
- ☐ **Individual Income Tax**
- ☐ **Corporate Income Tax**
- ☐ **Personal Income Tax**

Definition

Demand: population, income, prices of substitute or complement goods

Supply: change in price of capital goods, natural disasters, change in producers

- ☐ **Scarcity**
- ☐ **Substitute Goods**
- ☐ **People are Uncertain**
- ☐ **Change in Supply/Demand**

Term

Supply

- ☐ The relationship between price and the quantity supplied of a certain good or service
- ☐ The relationship between price and the quantity demanded of a certain good or service
- ☐ Demand creates its own supply
- ☐ A situation in which two people each want some good or service that the other person can provide

Definition

A legal minimum price

- ☐ **Minimum Wage**
- ☐ **Price Floor**
- ☐ **Demand**
- ☐ **Price Ceiling**

Term

Substitution Bias

○ A good that can replace another to some extent, so that greater consumption of one good can mean less of the other

○ An inflation rate calculated using a fixed basket of goods over time tends to overstate the true rise in the cost of living, because it does not take into account that the person can substitute away from goods whose prices rise considerably

○ Inflation calculated using a fixed basket of goods over time tends to overstate the true rise in cost of living, because it does not account for improvements in the quality of existing goods or the invention of new goods

○ An outburst of high inflation that often occurs (although not exclusively) when economies shift from a controlled economy to a market-oriented economy

Term

Consumer Price Index (CPI)

- A diagram that shows the productively efficient combinations of two products that an economy can produce given the resources it has available.
- An inflation rate calculated using a fixed basket of goods over time tends to overstate the true rise in the cost of living, because it does not take into account that the person can substitute away from goods whose prices rise considerably
- A measure of inflation that U.S. government statisticians calculate based on the price level from a fixed basket of goods and services that represents the average consumer's purchases
- Goods that are often used together so that consumption of one good tends to enhance consumption of the other

Definition

Unemployment that occurs as workers move between jobs

- ☐ **Frictional Unemployment**
- ☐ **Cyclical Unemployment**
- ☐ **Natural Unemployment**
- ☐ **Structural Unemployment**

Term

Productive Efficiency

- When it is impossible to produce more of one good (or service) without decreasing the quantity produced of another good (or service)
- When workers or firms focus on particular tasks for which they are well-suited within the overall production process
- The maximum quantity that an economy can produce given full employment of its existing levels of labor, physical capital, technology, and institutions
- An institution that operates between a saver with financial assets to invest and an entity who will borrow those assets and pay a rate of return

Term**Scarcity**

- ☐ When the government receives more money in taxes than it spends in a year
- ☐ When human wants for goods and services exceed the available supply
- ☐ An economic statistic after it has been adjusted for inflation
- ☐ When the mix of goods produced represents the mix that society most desires

Definition

A model that shows the flow of goods and services and the interaction among households, businesses, and banks

- ☐ Invisible Hand
- ☐ Production Possibilities Curve
- ☐ Circular Flow Model
- ☐ Supply Curve

Term

Progressive Tax

- ☐ A tax on people who pass assets to the next generation—either after death or during life in the form of gifts
- ☐ A tax imposed on corporate profits
- ☐ A tax that is a flat percentage of income earned, regardless of level of income
- ☐ A tax that collects a greater share of income from those with high incomes than from those with lower incomes

Term

Proportional Tax

- ☐ A tax based on the pay received from employers; the taxes provide funds for social security and medicare
- ☐ A tax on a specific good—on gasoline, tobacco, and alcohol
- ☐ A tax on people who pass assets to the next generation—either after death or during life in the form of gifts
- ☐ A tax that is a flat percentage of income earned, regardless of level of income

Term

Opportunity Set

- ☐ All possible combinations of consumption that someone can afford given the prices of goods and the individual's income
- ☐ A legal minimum price
- ☐ All possible consumption combinations of goods that someone can afford when all income is spent
- ☐ Goods that are often used together so that consumption of one good tends to enhance consumption of the other

Definition

A diagram that shows the productively efficient combinations of two products that an economy can produce given the resources it has available.

- ☐ Demand Curve
- ☐ Production Possibilities Frontier
- ☐ Supply Curve
- ☐ Opportunity Cost

Definition

Examining the benefits and costs of choosing a little more or a little less of a good

- ☐ **Marginal Utility**
- ☐ **Opportunity Cost**
- ☐ **Opportunity Set**
- ☐ **Marginal Analysis**

Term

Trade Deficit

- ☐ When it is impossible to produce more of one good (or service) without decreasing the quantity produced of another good (or service)
- ☐ Decrease in supply/demand
- ☐ Exists when a nation's imports exceed its exports and it calculates them as imports - exports
- ☐ An economic statistic after it has been adjusted for inflation

Term

Differences of Keynesian and Neoclassical economics

- ☐ The way in which different workers divide required tasks to produce a good or service
- ☐ Unemployment that occurs because individuals lack skills valued by employers
- ☐ Neoclassical: believes in the long term
Keynesian: believes in the short term
- ☐ Workers are overqualified for their jobs or work fewer hours than they would prefer

Term

Hyperinflation

- **The economic statistic actually announced at that time; not adjusted for inflation**
- **Inflation calculated using a fixed basket of goods over time tends to overstate the true rise in cost of living, because it does not account for improvements in the quality of existing goods or the invention of new goods**
- **An outburst of high inflation that often occurs (although not exclusively) when economies shift from a controlled economy to a market-oriented economy**
- **An inflation rate calculated using a fixed basket of goods over time tends to overstate the true rise in the cost of living, because it does not take into account that the person can substitute away from goods whose prices rise considerably**

Term

Regressive Tax

- ☐ A tax based on the pay received from employers; the taxes provide funds for social security and medicare
- ☐ A tax imposed on corporate profits
- ☐ A tax on people who pass assets to the next generation—either after death or during life in the form of gifts
- ☐ A tax in which people with higher incomes pay a smaller share of their income in tax

Definition

A monetary policy that increases the supply of money and the quantity of loans

- ☐ **Tight Monetary Policy**
- ☐ **Restrictive Monetary Policy**
- ☐ **Expansionary Monetary Policy**
- ☐ **Contractionary Monetary Policy**

Term

Division of Labor

- ☐ The way in which different workers divide required tasks to produce a good or service
- ☐ The allocation of labor resources by the government
- ☐ The separation of labor markets into different sectors
- ☐ The distribution of labor income among workers

Term

Specialization

- The branch of economics that focuses on broad issues such as growth, unemployment, inflation, and trade balance
- All possible combinations of consumption that someone can afford given the prices of goods and the individual's income
- Adam Smith's concept that individuals' self-interested behavior can lead to positive social outcomes
- When workers or firms focus on particular tasks for which they are well-suited within the overall production process

Term**Price Ceiling**

- ☐ A legal minimum price
- ☐ A legal minimum quantity that can be sold at a particular price
- ☐ Supply creates its own demand
- ☐ A legal maximum price

Term

Quality/New Goods Bias

- Inflation calculated using a fixed basket of goods over time tends to overstate the true rise in cost of living, because it does not account for improvements in the quality of existing goods or the invention of new goods
- A good that can replace another to some extent, so that greater consumption of one good can mean less of the other
- Tax and spending rules that have the effect of slowing down the rate of decrease in aggregate demand when the economy slows down and restraining aggregate demand when the economy speeds up, without any additional change in legislation
- An inflation rate calculated using a fixed basket of goods over time tends to overstate the true rise in the cost of living, because it does not take into account that the person can substitute away from goods whose prices rise considerably

Term

Automatic Stabilizers

- A measure of inflation that U.S. government statisticians calculate based on the price level from a fixed basket of goods and services that represents the average consumer's purchases
- Tax and spending rules that have the effect of slowing down the rate of decrease in aggregate demand when the economy slows down and restraining aggregate demand when the economy speeds up, without any additional change in legislation
- An inflation rate calculated using a fixed basket of goods over time tends to overstate the true rise in the cost of living, because it does not take into account that the person can substitute away from goods whose prices rise considerably
- Federal spending and borrowing causes interest rates to rise and business investment to fall

Definition

The relationship between price and the quantity demanded of a certain good or service

- ☐ **Market**
- ☐ **Scarcity**
- ☐ **Demand**
- ☐ **Supply**

Term**Real Value**

- ☐ **An economic statistic after it has been adjusted for inflation**
- ☐ **The economic statistic actually announced at that time; not adjusted for inflation**
- ☐ **A legal maximum price**
- ☐ **A legal minimum price**

Definition

Without a job but actively looking for one

- ☐ Discouraged Worker
- ☐ Unemployment
- ☐ Trade Deficit
- ☐ Recession

Definition

Fiscal policy that decreases the level of aggregate demand, either through cuts in government spending or increases in taxes

- ☐ **Contractionary Fiscal Policy**
- ☐ **Discretionary Fiscal Policy**
- ☐ **Expansionary Monetary Policy**
- ☐ **Expansionary Fiscal Policy**

Term

Complementary Goods

- ☐ A tax that is a flat percentage of income earned, regardless of level of income
- ☐ Goods that are often used together so that consumption of one good tends to enhance consumption of the other
- ☐ Exists when a nation's imports exceed its exports and it calculates them as imports - exports
- ☐ All possible combinations of consumption that someone can afford given the prices of goods and the individual's income

Term**Balanced Budget**

- ☐ Without a job but actively looking for one
- ☐ When government spending and taxes are equal
- ☐ When the government receives more money in taxes than it spends in a year
- ☐ When human wants for goods and services exceed the available supply