

Name: _____

Score: _____

20 Multiple choice questions

Definition

1 of 20

income that you have after you pay bills

- ☐ Gross Income
- ☐ Discretionary Income
- ☐ Taxable Income
- ☐ Earned Income

Term

Potential GDP

- maximum sustainable output, real GDP has to be below Potential GDP because it would be sustainable
- high level of output and growth (measured in GDP), Full Employment, Stable Prices, Foreign Policy
- price level, productive capacity (potential GDP), cost of production
- makes allowances for the amount of capital that has been used up

Definition

FEDs goals concerning money supply, interest rates, and that banking system. Fiscal policy is all about taxing and spending, while monetary policy deals solely with the Federal Reserve Bank

- ☐ **Foreign Policy**
- ☐ **Income Policy**
- ☐ **Trade Policy**
- ☐ **Monetary Policy**

Term

net foreign factor income

- ☐ the income americans gain from supplying resources abroad minus the income that foreigners gain by supplying resources in the U.S.
- ☐ the governments manipulative power to tax and spend, paid for with taxes
- ☐ income that you have after you pay bills
- ☐ balance of trade (exports minus imports), exchange rates (value of one country's currency in terms of the currency of another country)

Definition

setting a limit on wages and prices

- ☐ **Defensive policy**
- ☐ **Foreign Policy**
- ☐ **Supply-side policy**
- ☐ **Income policy**

Term

2 Foundations for aggregation

- **Transfer payments are not included when calculating GDP, equality/ efficiency trade off (a nations efforts at greater income equality will produce for its citizens less efficiency)**
- **expansion (output increases), peak (highest attainable production), contraction (output decreases), trough (lowest level of production)**
- **composition of supply and demand are of little importance when dealing with the economy wide issues of inflation and unemployment, during economic fluctuations markets tend to move up and down together**
- **high level of output and growth (measured in GDP), Full Employment, Stable Prices, Foreign Policy**

Definition

final goods/ services (purchased by their end or final user), intermediate goods (goods purchased for resale or used as an input in producing another good)

- ☐ **Final And Intermediate Users**
- ☐ **2 Types of Goods**
- ☐ **3 Categories of Services**
- ☐ **1 Type of Product**

Definition

provide high paying jobs that people find attractive, does NOT mean 100% employment, full employment means approximately 5% or less unemployment

- ☐ **Full Employment**
- ☐ **Full Production**
- ☐ **Cyclical Unemployment**
- ☐ **Higher Wages**

Definition

direct (levied on individuals/ income tax), indirect (levied on goods/ sales and property tax)

- ☐ **2 Types of Taxes**
- ☐ **Types Of Government Expenditures**
- ☐ **1 Tax Rate Structure**
- ☐ **3 Forms of Revenue**

Term**Determinants of Aggregate supply**

- ☐ **fiscal policy, monetary policy, trade policy, income policy**
- ☐ **high level of output and growth (measured in GDP), Full Employment, Stable Prices, Foreign Policy**
- ☐ **price level, national income, expectations, Foreign conditions, government policy**
- ☐ **price level, productive capacity (potential GDP), cost of production**

Term

What the GDP Omits

- **non-market goods and services, illegal markets, sale of used goods, leisure time, social costs**
- **government spending, exports, imports, public services, infrastructure investment**
- **only market transactions, financial investments, corporate profits, stock market performance**
- **personal savings, charitable donations, volunteer work, community service, public health initiatives**

Term**GDP Gap**

- ☐ makes allowances for the amount of capital that has been used up
- ☐ price level, productive capacity (potential GDP), cost of production
- ☐ maximum sustainable output, real GDP has to be below Potential GDP because it would be sustainable
- ☐ difference between potential and actual GDP

Definition

absolute advantage (best at producing something), comparative advantage (best at producing more better or less worse than another country), interdependence caused by increased imports and exports, borrowing and lending to foreigners, limitations of foreign technology, worldwide travel, world wide communication

- ☐ **Foreign Policy**
- ☐ **Fiscal Policy**
- ☐ **Military Policy**
- ☐ **Domestic Policy**

Definition

personal (all earnings received by households from the factors of production plus transfer payments), disposable (portion of income that reaches the consumer),
personal income minus direct taxes = disposable income

- ☐ **2 Types of Consumer Incomes**
- ☐ **Types Of Government Assistance Programs**
- ☐ **3 Levels of Economic Activity**
- ☐ **1 Method of Income Calculation**

Definition

balance of trade (exports minus imports), exchange rates (value of one country's currency in terms of the currency of another country)

- ☐ **1 Approach to Measuring Economic Growth**
- ☐ **2 Ways to Judge Foreign Policy**
- ☐ **4 Criteria for Assessing Political Stability**
- ☐ **3 Methods of Evaluating Domestic Policy**

Definition

the governments manipulative power to tax and spend, paid for with taxes

- ☐ **Foreign Policy**
- ☐ **Supply-side Policy**
- ☐ **Fiscal Policy**
- ☐ **Trade Policy**

Definition

expansion (output increases), peak (highest attainable production), contraction (output decreases), trough (lowest level of production)

- ☐ **3 Phases of Market Regulation**
- ☐ **2 Types of Economic Systems**
- ☐ **5 Stages of Consumer Behavior**
- ☐ **4 Divisions of the business cycle**

Definition

price level, national income, expectations, foreign conditions, government policy

- ☐ **Real Balances, Interest Rate, and Foreign Purchases Effect**
- ☐ **Determinants of Aggregate Supply**
- ☐ **Determinants of Aggregate Demand**
- ☐ **Sole Determinants of the Equilibrium Price Level and the Equilibrium Real Output**

Term**Depreciation**

- ☐ combining many individual markets into one overall market
- ☐ makes allowances for the amount of capital that has been used up
- ☐ price level, productive capacity (potential GDP), cost of production
- ☐ two consecutive quarters in contraction

Term

2 Types of GDP

- **nominal (measured in current market prices), real (measured in constant dollars), real GDP is more accurate because it takes inflation into account**
- **consumer price index (measures market value of a fixed basket of goods), inflation (rate of growth of the price level from year to year)**
- **maximum sustainable output, real GDP has to be below Potential GDP because it would be sustainable**
- **high level of output and growth (measured in GDP), Full Employment, Stable Prices, Foreign Policy**