Name: Score:

41 Multiple choice questions

Term

what is GDP

- the total value of all raw materials imported into a country in a given period of time
- the market value of all final goods and services produced within a country in a given period of time
- the combined value of all exports and imports in a country annually
- the sum of all consumer spending and savings in a country over a year

Definition

institutions through which savers can indirectly provide funds to borrowers

- unemployment/ unemployment rate
- fractional reserve requirement
- what are financial intermediaries
- production possibilities frontier

Term

difference between balance budget, deficit , surplus

If the value of variable increases with an increase in the value of a related variable, their relationship is termed as a direct variation

balance budget - revenues and expenses are equal

surplus - revenues are greater than expenses

deficit - revenues are less than expenses

While positive statement describe facts and figures, normative statements assess these positive statements by giving opinions based on moral grounds.

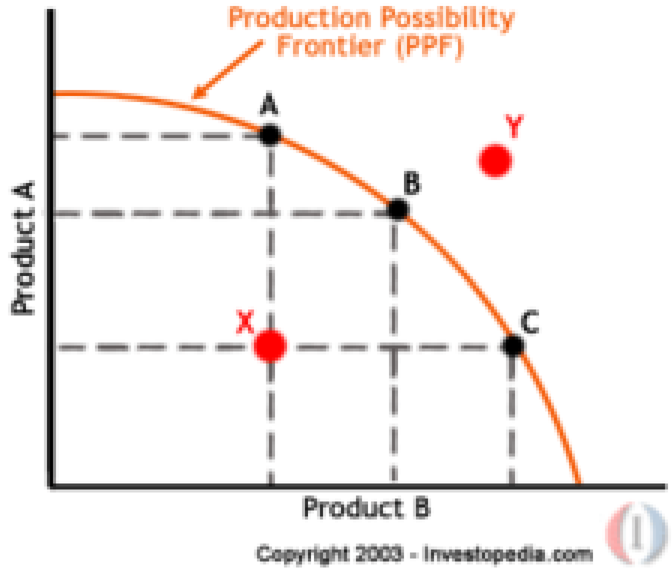
Either situation presents problems at high levels over long periods of time, but a surplus is generally a positive development, while a deficit is seen as negative

If the value of variable increases with an increase in the value of a related variable, their relationship is termed as a direct variation

- **differences between direct and indirect relationship of variables**
- **difference between positive and normative statements**
- **difference between allocative and productive efficiency**
- **difference between marginal analysis and marginal utility**

Definition

the line on a production possibilities graph that shows the maximum possible output



- demand curve
- opportunity cost
- supply curve
- production possibilities frontier

Definition 6 of 41

the study of how society manages its scarce resources

- the invisible hand
- relationship between price/quantity, and supply/demand
- models and theories
- define economics

Term

crowding out

- an increase in investment that results from government spending
- an excess of tax revenue over government spending
- an increase in private sector borrowing (and spending) caused by decreased government borrowing
- a decrease in investment that results from government borrowing

Definition

the principle that consumers experience diminishing additional satisfaction as they consume more of a good or service during a given period of time

- **law of increasing marginal utility**
- **law of diminishing marginal utility**
- **principle of constant satisfaction**
- **theory of consumer surplus**

Definition

Cost of the next best alternative use of money, time, or resources when one choice is made rather than another

- **sunk cost**
- **opportunity cost**
- **total cost**
- **fixed cost**

difference between nominal and real GDP

balance budget - revenues and expenses are equal

surplus - revenues are greater than expenses

deficit - revenues are less than expenses

Nominal - money value
Real - adjusted for inflation

While positive statement describe facts and figures, normative statements assess these positive statements by giving opinions based on moral grounds.

-The additional satisfaction from consuming an additional unit is called the marginal utility, such as the marginal utility gained from eating an additional slice of pizza, or sleeping in for an additional hour.
-Marginal analysis models how consumers compare the net marginal benefit that arises from each competing choice when making decisions.

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- **difference between positive and normative statements**
- **difference between allocative and productive efficiency**
- **difference between marginal analysis and marginal utility**
- **differences between direct and indirect relationship of variables**

Term 12 of 41

fisical policy

- Idk
- Government policy that attempts to manage the economy by controlling the money supply and thus interest rates.
- Government policy that attempts to manage the economy by controlling taxing and spending.
- Government policy that attempts to manage the economy by controlling the money supply, interest rates and the exchange rate

Definition

Independent regulatory agency that manage monetary policy

- **Automatic stabilizers**
- **FED (federal reserve board)**
- **CPI (Consumer Price Index)**
- **Fiscal-policy controlled by president and congress (expansionary/ contractionary)**

Term

difference between positive and normative statements

- Cost of the next best alternative use of money, time, or resources when one choice is made rather than another
- Either situation presents problems at high levels over long periods of time, but a surplus is generally a positive development, while a deficit is seen as negative
- Microeconomics studies individuals and business decisions, it focuses on supply and demand, and other forces that determine price levels
Macroeconomics analyzes the decisions made by countries and governments.
- While positive statement describe facts and figures, normative statements assess these positive statements by giving opinions based on moral grounds.

characteristics of a free market system

- Private Property
- Free Enterprise
- Very limited role for GOVERNMENT
- Economic resources allocated through the Price Mechanism

Substitute goods (or simply substitutes) are products which all satisfy a common want and complementary goods (simply complements) are products which are consumed together

Microeconomics studies individuals and business decisions, it focuses on supply and demand, and other forces that determine price levels
Macroeconomics analyzes the decisions made by countries and governments.

the principle that consumers experience diminishing additional satisfaction as they consume more of a good or service during a given period of time difference between trade surplus and trade deficit

balance budget - revenues and expenses are equal

surplus - revenues are greater than expenses

deficit - revenues are less than expenses

Either situation presents problems at high levels over long periods of time, but a surplus is generally a positive development, while a deficit is seen as negative

If the value of variable increases with an increase in the value of a related variable, their relationship is termed as a direct variation

While positive statement describe facts and figures, normative statements assess these positive statements by giving opinions based on moral grounds.

Term

automatic stabilizers

- changes in fiscal policy that stimulate aggregate demand when the economy goes into a recession without policymakers having to take any deliberate action
- government policy that attempts to manage the economy by controlling the money supply and thus interest rates.
- institutions through which savers can indirectly provide funds to borrowers
- government policy that attempts to manage the economy by controlling taxing and spending.

Definition 18 of 41

the level of real GDP attained when all firms are producing at capacity

- **nominal Gdp**
- **aggregate Gdp**
- **actual Gdp**
- **potential GDP**

Definition 19 of 41

a limited supply of resources in comparison to unlimited wants and needs

- **difference between balance budget, deficit , surplus**
- **define needs & wants**
- **define wants**
- **define scarcity**

-Keynesian economists emphasize Keynes' law, which holds that demand creates its own supply. Many mainstream economists take a Keynesian perspective, emphasizing the importance of aggregate demand, for the short run
-neoclassical perspective, emphasizing the importance of aggregate supply, for the long run.

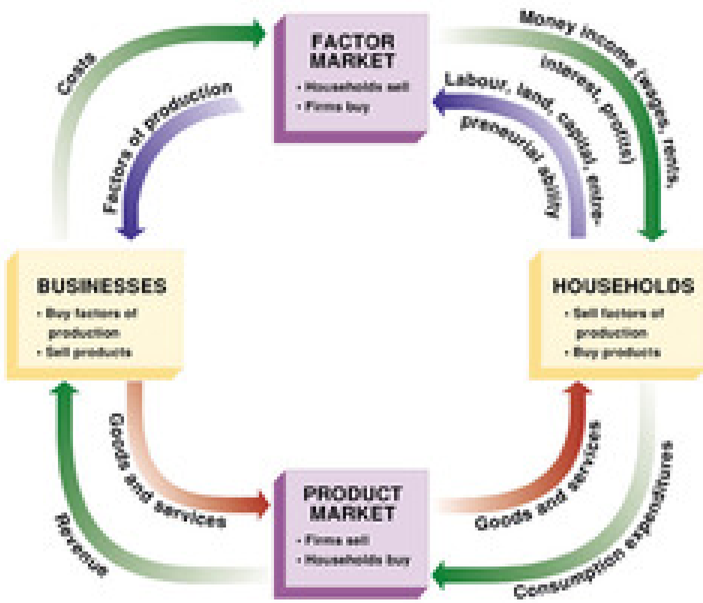
- **Monetary policy (FED)**
- **characteristics of a free market system**
- **fiscal-policy controlled by president and congress (expansionary/ contractionary)**
- **Keynesian economics vs neoclassical economics**

Definition

land, labor, capital, entrepreneurship

- 3 functions of money
- FED (federal reserve board)
- list factors of production
- CPI (Consumer Price Index)

a visual model of the economy, shows how dollars flow through markets among households and firms



- crowding out
- what is a circular flow model
- the invisible hand
- difference between balance budget, deficit , surplus

biases that complicate inflation

- proportional - certain percentage is paid by everyone no matter the income

- progressive - the percentage that is paid increases as the amount of income increases

- regressive - percentage that is paid effect low and middle incomes more than high

- The pool of available potential employees with the necessary skills within commuting distance from an employer

- -Economists call this positive relationship between price and quantity supplied —that a higher price leads to a higher quantity supplied and a lower price leads to a lower quantity supplied— the law of supply

- Two problems arise here: substitution bias and quality/new goods bias. When the price of a good rises, consumers tend to purchase less of it and to seek out

substitutes instead. Conversely, as the price of a good falls, people will tend to purchase more of it.

Definition

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The pool of available potential employees with the necessary skills within commuting distance from an employer

- **what is the labor market**
- **what is GDP**
- **production possibilities frontier**
- **what is a circular flow model**

Definition

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

-The barter system often creates an unbalanced trade system, where parties cannot find others willing to trade

- **relationship between price/quantity, and supply/demand**
- **difference between allocative and productive efficiency**
- **difference between trade surplus and trade deficit**
- **double coincidence of wants/ problems of barter system**

Term

hyperinflation

- When prices rise due to an increase in the cost of production.
- A very rapid rise in the price level; an extremely high rate of inflation.
- The level of real GDP attained when all firms are producing at capacity
- Either situation presents problems at high levels over long periods of time, but a surplus is generally a positive development, while a deficit is seen as negative

Term

Monetary policy (FED)

- Government policy that attempts to manage the economy by controlling the money supply and thus interest rates.
- Independent regulatory agency that manage monetary policy
- Government policy that attempts to manage the economy by controlling taxing and spending.
- Is the act of printing money whenever the government needs more

3 functions of money

- unit of account, store of value, barter
- medium of exchange, unit of account, store of value
- medium of exchange, unit of credit, store of value
- medium of exchange, store of value, commodity money

Term

substitute vs complimentary goods

- **Substitute goods are products that enhance each other's value and complementary goods are products that compete for the same market share**

- **Substitute goods (or simply substitutes) are products which all satisfy a common want and complementary goods (simply complements) are products which are consumed together**

- **Substitute goods are products that are used together for a common purpose and complementary goods are products that satisfy different needs**

- **Substitute goods are products that are sold in pairs and complementary goods are products that are used interchangeably**

Definition

-Expansionary fiscal policy occurs when the Congress acts to cut tax rates or increase government spending, shifting the aggregate demand curve to the right.
-Contractionary fiscal policy occurs when Congress raises tax rates or cuts government spending, shifting aggregate demand to the left.

- **what is specialization and division of labor**
- **double coincidence of wants/ problems of barter system**
- **automatic stabilizers**
- **fiscal-policy controlled by president and congress (expansionary/ contractionary)**

macroeconomics vs microeconomics

-Economists call this positive relationship between price and quantity supplied —that a higher price leads to a higher quantity supplied and a lower price leads to a lower quantity supplied— the law of supply

Microeconomics studies individuals and business decisions, it focuses on supply and demand, and other forces that determine price levels
Macroeconomics analyzes the decisions made by countries and governments.

- Private Property
- Free Enterprise
- Very limited role for GOVERNMENT
- Economic resources allocated through the Price Mechanism

the principle that consumers experience diminishing additional satisfaction as they consume more of a good or service during a given period of time

Term

different types of taxes

proportional - certain percentage is paid by everyone no matter the income

progressive - the percentage that is paid increases as the amount of income increases

regressive - percentage that is paid effect low and middle incomes more than high

Two problems arise here: substitution bias and quality/new goods bias. When the price of a good rises, consumers tend to purchase less of it and to seek out substitutes instead. Conversely, as the price of a good falls, people will tend to purchase more of it.

proportion of bank deposits that must be kept on hand set by the federal reserve.

- Either situation presents problems at high levels over long periods of time, but a surplus is generally a positive development, while a deficit is seen as negative

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CPI (Consumer Price Index)

- cost of a select market basket of goods and services
- measures wholesale price levels in the economy
- an index of the cost of all goods and services to a typical consumer
- measures the overall change in consumer prices based on a representative basket of goods and services

-Price ceiling refers to the mechanism by which the price for a good is prevented from rising to a certain level
-price floor is the mechanism by which the price of a good is prevented from falling below a certain level

- **difference between positive and normative statements**
- **difference between balance budget, deficit , surplus**
- **difference between allocative and productive efficiency**
- **difference between price floor/ ceiling**

Term

relationship between price/quantity, and supply/demand

- **While positive statement describe facts and figures, normative statements assess these positive statements by giving opinions based on moral grounds.**

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

  -The barter system often creates an unbalanced trade system, where parties cannot find others willing to trade

- **Either situation presents problems at high levels over long periods of time, but a surplus is generally a positive development, while a deficit is seen as negative**

- **-Economists call this positive relationship between price and quantity supplied —that a higher price leads to a higher quantity supplied and a lower price leads to a lower quantity supplied— the law of supply**

Definition

frictional, structural, cyclical, seasonal

- **policy makers are worried about structural unemployment and not frictional and seasonal unemployment.**
- **types of unemployment**
- **types of investments**
- **types of inflation**

fractional reserve requirement

- medium of exchange, unit of account, store of value
- proportion of bank deposits that must be kept on hand set by the federal reserve.
- cost of the next best alternative use of money, time, or resources when one choice is made rather than another
- focus on one specific job, assembly line

Term

the invisible hand

- **unexpected events that affect aggregate supply, sometimes only temporarily**
- **institutions through which savers can indirectly provide funds to borrowers**
- **term economists use to describe the self-regulating nature of the marketplace**
- **focus on one specific job, assembly line**

Term

unemployment/ unemployment rate

- two problems arise here: substitution bias and quality/new goods bias. when the price of a good rises, consumers tend to purchase less of it and to seek out substitutes instead. conversely, as the price of a good falls, people will tend to purchase more of it.
- unemployed if you are a member of the labor force and do not have a job.
- focus on one specific job, assembly line
- either situation presents problems at high levels over long periods of time, but a surplus is generally a positive development, while a deficit is seen as negative

Term

what is specialization and division of labor

- **Rotation of duties among team members**
- **Focus on one specific job, assembly line**
- **Delegation of responsibilities to different departments**
- **Diversification of tasks across multiple roles**

Term

difference between allocative and productive efficiency

- Either situation presents problems at high levels over long periods of time, but a surplus is generally a positive development, while a deficit is seen as negative

- -The additional satisfaction from consuming an additional unit is called the marginal utility, such as the marginal utility gained from eating an additional slice of pizza, or sleeping in for an additional hour.
  -Marginal analysis models how consumers compare the net marginal benefit that arises from each competing choice when making decisions.

- While positive statement describe facts and figures, normative statements assess these positive statements by giving opinions based on moral grounds.

- -Productive efficiency means that, given the available inputs and technology, it's impossible to produce more of one good without decreasing the quantity of another good that's produced
  -Allocative efficiency is concerned with the optimal distribution of goods and services