Name: Score:

41 Multiple choice questions

Definition 1 of 41

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

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

Term

what is GDP

- **the combined value of all exports and imports in a country annually**
- **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 sum of all consumer spending and savings in a country over a year**

Definition

a decrease in investment that results from government borrowing

- **3 functions of money**
- **define scarcity**
- **potential GDP**
- **crowding out**

Definition

-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

- **correlation between income and supply**
- **effect of price on consumer preferences**
- **inverse relationship between price and quantity demanded**
- **relationship between price/quantity, and supply/demand**

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

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

Term

types of unemployment

- **discouraged workers, part-time workers, illegal workers or over-qualified workers**
- **land, labor, capital, entrepreneurship**
- **race, education, marital status, age**
- **frictional, structural, cyclical, seasonal**

Definition

unemployed if you are a member of the labor force and do not have a job.

- opportunity cost
- fiscal policy
- fractional reserve requirement
- unemployment/ unemployment rate

differences between direct and indirect relationship of variables

- **If the value of variable remains constant regardless of changes in a related variable, their relationship is termed as a neutral variation**
- **If the value of variable decreases with an increase in the value of a related variable, their relationship is termed as an inverse variation**
- **If the value of variable increases with an increase in the value of a related variable, their relationship is termed as a direct variation**
- **If the value of variable fluctuates randomly with changes in a related variable, their relationship is termed as a variable variation**

Definition

changes in fiscal policy that stimulate aggregate demand when the economy goes into a recession without policymakers having to take any deliberate action

- social insurance programs
- automatic stabilizers
- open market operations
- standardized employment budgets

Definition

-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.

- **difference between marginal analysis and marginal utility**
- **difference between positive and normative statements**
- **difference between allocative and productive efficiency**
- **difference between trade surplus and trade deficit**

-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

- difference between marginal analysis and marginal utility

- difference between positive and normative statements

- difference between allocative and productive efficiency
- differences between direct and indirect relationship of variables

Term 12 of 41

what is specialization and division of labor

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

what is the labor market

- The collection of resumes from unemployed individuals
- The list of job openings in a specific industry
- The pool of available potential employees with the necessary skills within commuting distance from an employer
- The group of current employees working for a company

Definition

medium of exchange, unit of account, store of value

- 3 methods of payment processing
- 3 types of currency
- 3 roles of banks
- 3 functions of money

Definition

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.

- **substitute vs complimentary goods**
- **macroeconomics vs microeconomics**
- **the invisible hand**
- **keynesian economics vs neoclassical economics**

list factors of production

- **land, labor, capital, entrepreneurship**
- **labor, capital, money, entrepreneurship**
- **land, labor, capital, money**
- **land, capital, money, entrepreneurship**

Definition

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

- contrast between factual and subjective statements
- relationship between economic and normative statements
- difference between positive and normative statements
- similarity between positive and normative statements

Definition

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.

- **crowding out**
- **substitute vs complimentary goods**
- **biases that complicate inflation**
- **automatic stabilizers**

Term 19 of 41

what are financial intermediaries

- institutions that directly lend funds to consumers
- institutions through which savers can indirectly provide funds to borrowers
- organizations that manage government subsidies for businesses
- agencies that provide grants to non-profit organizations

Definition 20 of 41

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

- excess reserve requirement
- fractional reserve requirement
- actual reserve requirement
- proportional tax

-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 allocative and productive efficiency**
- **difference between balance budget, deficit , surplus**
- **difference between price floor/ ceiling**
- **difference between marginal analysis and marginal utility**

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.

- **fiscal-policy controlled by president and congress (expansionary/ contractionary)**
- **what is specialization and division of labor**
- **automatic stabilizers**
- **difference between marginal analysis and marginal utility**

Definition

the study of how society manages its scarce resources

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

difference between balance budget, deficit , surplus

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.

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

Nominal - money value
Real - adjusted for inflation

Definition

Government policy that attempts to manage the economy by controlling taxing and spending.

- legislative policy
- trade policy
- fiscal policy
- supply-side policy

double coincidence of wants/ problems of barter system

- -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

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

- -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

- 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

Definition

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

- **difference between trade surplus and trade deficit**
- **similarity between trade surplus and trade deficit**
- **impact of trade surplus on inflation**
- **relationship between trade deficit and economic growth**

what is a circular flow model

-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

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

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

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

Definition

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

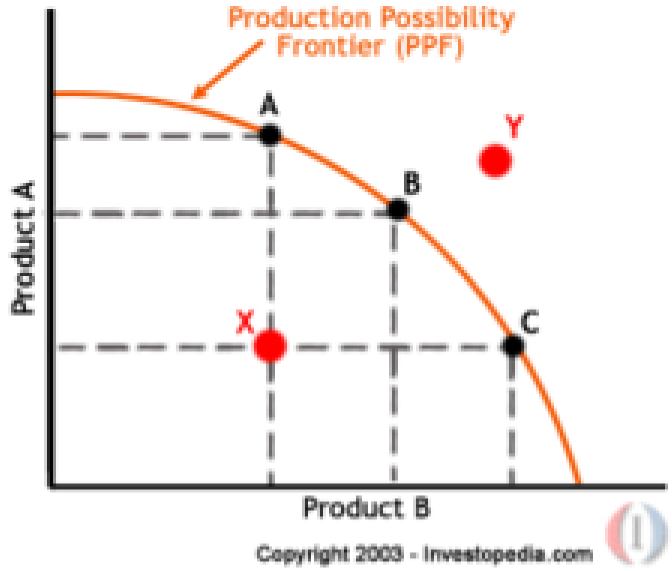
- **types of unemployment**
- **fiscal policy**
- **automatic stabilizers**
- **different types of taxes**

A very rapid rise in the price level; an extremely high rate of inflation.

- deflation
- hyperinflation
- stagflation
- disinflation

Definition

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



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

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an index of the cost of all goods and services to a typical consumer

- **Grm (gross rent multiplier index)**
- **Gini index**
- **The big Mac Index**
- **CPI (Consumer Price Index)**

Definition

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

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

Definition

- Private Property

- Free Enterprise

- Very limited role for GOVERNMENT

- Economic resources allocated through the Price Mechanism

- **fiscal policy**
- **characteristics of a free market system**
- **Monetary policy (FED)**
- **law of diminishing marginal utility**

Term

substitute vs complimentary goods

- 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 enhance each other's value and complementary goods are products that compete for the same market share
- Substitute goods are products that are sold in pairs and complementary goods are products that are used interchangeably
- Substitute goods are products that are used together for a common purpose and complementary goods are products that satisfy different needs

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FED (federal reserve board)

- **Independent body that manages trade agreements**
- **Government agency that oversees fiscal policy**
- **Independent regulatory agency that manage monetary policy**
- **Executive committee that controls tax regulations**

Definition 37 of 41

term economists use to describe the self-regulating nature of the marketplace

- **the invisible hand**
- **the profit motive**
- **the wealth of nations**
- **different types of taxes**

Definition

-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)**
- **macroeconomics vs microeconomics**
- **substitute vs complimentary goods**
- **Keynesian economics vs neoclassical economics**

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

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

Definition 40 of 41

Nominal - money value

Real - adjusted for inflation

- **contrast between nominal and real Income**
- **comparison between nominal and real interest rates**
- **difference between nominal and real GDP**
- **distinction between nominal and real Wages**

Definition

Government policy that attempts to manage the economy by controlling the money supply and thus interest rates.

- FED (federal reserve board)
- Fiscal-policy controlled by president and congress (expansionary/ contractionary)
- Automatic stabilizers
- Monetary policy (FED)