

Economics Final Exam Study Guide 2016 2017

Unit 1- Economic Decision Making & Economics Systems (Ch 1, 2, 3)

- 4 Factors of Production (Resource Categories)
 - Land*
 - Labor (Human Capital)*
 - Entrepreneurship*

- What are the 3 essential questions every economy must ask when deciding how to deal with scarcity?
 - What to produce?*
 - How to produce?*
 - For Whom to produce?*

- The types of Economies handle scarcity differently:
 - Command Economy*
 - Traditional Economy*
 - Market Economy (aka free enterprise)*
 - Mixed Economy*

- *Production Possibility Curve (PPC)*



- What are “externalities”?
 - Positive
 - Negative

Unit 2- Demand, Supply, & Equilibrium (Ch 4, 5, 6)

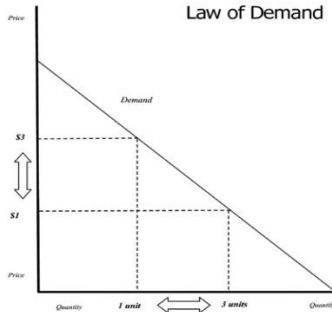
➤ Law of Demand



$$\$ \uparrow = \downarrow QD$$

$$\$ \downarrow = \uparrow QD$$

Law of Demand



➤ What determines Demand? (besides the price of the product)

Income of consumers

Number of consumers

Tastes & preferences

Price of related goods

Expectations of consumers

(Remember: "It's Necessary To Pass Economics")

➤ Types of goods:

Complimentary

Substitute

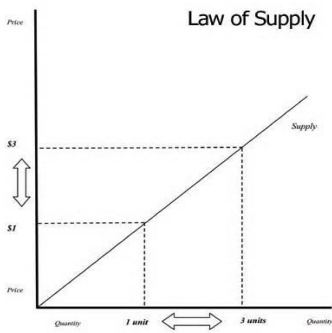
Normal

Inferior

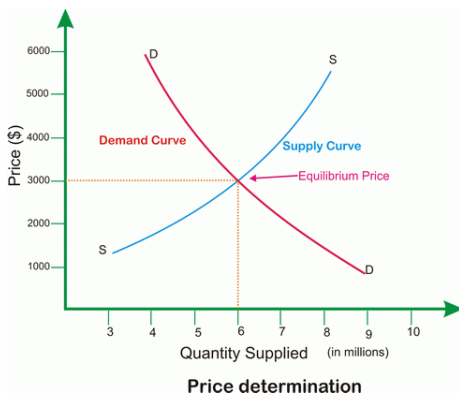
➤ Law of Supply

$$\$ \uparrow = \uparrow QS$$

$$\$ \downarrow = \downarrow QS$$



- What determines Supply? (besides the demand for the product)
 - Price of related goods
 - Taxes
 - Subsidies (government funding)
 - Number of producers
 - Expectations of producers
 (Remember: "Please Take Some Notes Everyday")
- *Market Equilibrium:*
 - $Q_S = Q_D$ at the same \$

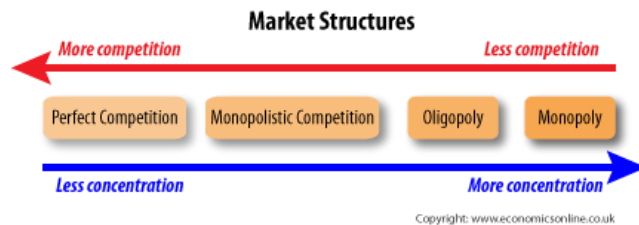


- *Shortage* : $Q_S < Q_D$
- *Surplus* : $Q_S > Q_D$
- How does **minimum wage** interrupt the market equilibrium of **Labor** in the market?
 - Higher wage creates a surplus of workers (more want to work for more money)
 - Higher wage creates less demand for workers (employers hire fewer)
 - This creates unemployment.*
 - Companies may also increase prices to pay the workers the higher wage.
 - This creates inflation.*
- *Economies of Scale*
 - When starting a business, companies have start-up costs which lowers the profit per item produced.
 - As time goes on, more product is made and the per unit profit increases.

Unit 3- Market Structures & Business Organizations (Ch 7, 8, 9)

- Types of Markets- what are the characteristics of each?

Perfect Competition
Monopolistic Competition
Oligopoly
Monopoly



- Types of Business Organizations- what are the characteristics of each one?

Sole Proprietorship
Partnership
Corporation

Unit 4- Money, Banking, & Finance (Ch 10 & 11 & Stock Market)

- “*monetary*”- of or relating to money or to the system by which it is supplied to and circulates in the economy
- What are the *characteristics of money*?
- Who is responsible for the supply of money in circulation? *The Federal Reserve*
- What is:
 - Stock*
 - Shareholder/Stockholder*
 - Capital gains*
 - Capital loss*
- How are debit cards & credit cards different from each other?
How are each used?
How can their use influence spending and determine your “credit score”?

Unit 5- GDP, Inflation, & Unemployment (Ch 12 & 13)

- What is *Gross Domestic Product* (GDP)?
How does it measure growth?
What is the “formula”?
- Unemployment
Who makes up the labor force?
Definition
Types of unemployment
 - Frictional*
 - Structural*
 - Cyclical*
 - Seasonal*
- How does the *Consumer Price Index* (CPI) measure inflation?
- Types of inflation:
 - Cost push*
 - Demand pull*

Unit 6- Taxation & Fiscal & Monetary Policy (Ch 14, 15, 16)

- *Federal Reserve*
Who are they?
What do they do?
How do they use *Monetary Policy* to shape the economy?
- *Fiscal Policy*: Government taxing & spending
Which part of the government decides on taxes?
How does the policy of increasing or decreasing taxes shape the economy?
What are some consequences of increasing or decreasing taxes?
- Types of taxes:
 - Regressive
 - Progressive
 - Proportional

Financial Literacy:

- Credit:
Credit score vs credit rating vs credit report
- Types of investments/risk:
 - US Treasuries
 - Bank accounts
 - Stock

- Budgeting:
 - What is a budget?
 - Why have a written budget?
 - What should be included?

- Loans:
 - Principal
 - Interest
 - Compound
 - Simple
 - Mortgage
 - Secured
 - Unsecured

- Insurance:
 - What is it used for?
 - Types of insurance
 - Deductible