**Fundamentals of Economics**

**Directions: On a separate sheet of paper, answer each question in complete thoughts.**

1. Define scarcity.
2. Define and give examples of productive resources (aka the factors of production).
3. List a variety of strategies for allocating scarce resources. (think about the 20 dollar bill in class)
4. What is opportunity cost? Give an example of opportunity cost.
5. What is a production possibilities curve?
6. Illustrate a production possibilities curve that shows the tradeoffs between two options and explain the opportunity costs involved with making each good.
7. What is marginal cost?
8. What do rational people do when the marginal benefit outweighs marginal cost?
9. What is the division of labor?
10. Give examples of how people and businesses specialize?
11. What is voluntary exchange? How do people benefit from voluntary exchange?
12. What are the characteristics of a command economy?
13. What are the characteristics of a market economy?
14. Why are almost all economic systems “mixed economies?”
15. Define each of the following characteristics and match the characteristic to the appropriate economic system (either market or command):
	1. private ownership,
	2. profit motive,
	3. consumer sovereignty,
	4. competition,
	5. government regulation.
16. What are the three economic questions?
17. Explain how well each of the following social goals are met in each economic system (market and command):
	1. freedom,
	2. security,
	3. equity,
	4. growth,
	5. efficiency
	6. stability
18. List and define the 6 roles of the government in a market economy?
19. What is a market failure?
20. Define externality.
21. Give an example of a public good and a positive or negative externality.
22. Define productivity.
23. How does investment in equipment and technology lead to economic growth?
24. Give examples of how investment in education can lead to a higher standard of living.

**Microeconomics Review**

1. What is the exchange that takes place in the Factor Market?
2. What is the exchange that takes place in the Product Market?
3. Draw and label a circular flow graph.
4. Explain how the flow of money and the flow of goods and services among businesses and households occur.
5. How is money a medium of exchange?
6. What are some of the functions of money?
7. What is Supply?
8. What is the difference between Supply and Quantity Supplied?
9. Define the Law of Supply.
10. What is Demand?
11. What is the difference between Demand and Quantity Demanded?
12. Define the Law of Demand.
13. What is the market clearing price? (aka the equilibrium price)
14. How do buyers and sellers determine the equilibrium price?
15. Illustrate on a graph how supply and demand determine equilibrium price and quantity.
16. How do prices serve as incentives in a market economy?
17. What do the determinants of demand do?
18. Show on a graph the effects of the determinants of demand. – give at least one positive and one negative scenario.
19. What do the determinants of supply do?
20. Show on a graph the effects of the determinants of supply. – give at least one positive and one negative scenario.
21. How do prices floors create surpluses?
22. How do price ceilings create shortages?
23. Define price elasticity of demand.
24. Define price elasticity of supply.
25. What is a sole proprietorship?
26. What are the advantages and disadvantages of a sole proprietorship?
27. What is a partnership?
28. What are the advantages and disadvantages of a partnership?
29. What is a corporation?
30. What are the advantages of a corporation?
31. Who are stockholders and what is a stock?
32. How is profit an incentive for entrepreneurs?
33. What is a monopoly?
34. What is an oligopoly?
35. What is monopolistic competition?
36. What is pure competition?
37. In which market structure do firms have the most control over price?
38. What is collusion?
39. In which market structure are businesses most likely to collude? Why?
40. What are barriers to entry in a market? Which has a higher barrier to entry, oligopoly or monopolistic competition? Why?

**Macroeconomics Review Guide**

1. Define Gross Domestic Product (GDP)
2. What are the individual components of GDP? List examples of spending in each category. Hint: C+I+G+(x-m)
3. What isn’t included in GDP?
4. Define economic growth.
5. List and define the different types of unemployment. Give an example for each.
6. What is a recession?
7. What is the difference between a recession and a depression?
8. Define Consumer Price Index (CPI).
9. What is CPI used for?
10. What is the market basket?
11. Define inflation. What are some of the causes of inflation?
12. What is stagflation?
13. Define aggregate supply and aggregate demand.
14. Draw an aggregate supply and aggregate demand graph.
15. How do we calculate unemployment?
16. Define the stages of the business cycle.
17. Draw and label a business cycle.
18. What is national debt?
19. What is national deficit?
20. What is the difference between national debt and national deficit?
21. What is full employment?
22. Describe the organization of the Federal Reserve System. (include district banks and board of governors)
23. What is monetary policy?
24. What are the goals of monetary policy?
25. What are the three tools of monetary policy?
26. If the economy is in a recession, how would the Fed use monetary policy? (Three things)
27. If the economy was experiencing rapid inflation, how would the Fed use monetary policy? (Three things)
28. What is fiscal policy?
29. What are the two tools of fiscal policy?
30. If the economy was in a recession, what could the government do to help promote full employment? (Two things)
31. If the economy was experiencing rapid inflation, what could the government do to stabilize prices? (Two things)

**International Economics**

1. Define absolute advantage.
2. Define comparative advantage.
3. What is the difference between absolute and comparative advantage?
4. Why does most trade take place because of comparative advantage in the production of a good or service?
5. Define Balance of Trade.
6. Define Balance of Payments.
7. How is Balance of Trade and Balance of Payments different?
8. What are trade barriers?
9. Define tariffs.
10. Define quotas.
11. Define embargo.
12. Define standards.
13. Define subsidies.
14. Who do trade barriers benefit?
15. Who is hurt by trade barriers?
16. Define trading bloc (free trade agreement).
17. What is NAFTA?
18. What is the EU?
19. What is ASEAN?
20. What is free trade?
21. What are arguments for free trade?
22. What are arguments against free trade?
23. Define exchange rate.
24. What are the effects of a strong currency? (Think imports, exports, traveling)
25. What are the effects of a weak currency? (Think imports, exports, traveling)

**Personal Finance**

1. What is interest?
2. What is the difference between interest charged and interest earned?
3. What is the relationship between risk and return when investing?
4. Define and differentiate between the following savings and investment options (know which are more risky and why):
* stocks,
* bonds,
* mutual funds.
1. Define the following taxes:
	* progressive tax,
	* regressive tax,
	* proportional tax.
2. How does sales tax affect different income groups?
3. What is the difference between simple and compound interest rates?
4. Explain the purpose of and differences between the following insurance types:
* automobile,
* health,
* life,
* disability,
* property
1. What is the difference between collision, liability, and comprehensive auto insurance?
2. Define deductible.
3. Define premium.
4. Define shared liability.
5. What are factors that affect credit worthiness?
6. Give examples of who benefits and who loses from inflation.
7. What is APR? If you are not going to pay your balance in full each month, what would you want in a credit card?