

EOCT STUDY GUIDE FOR ECONOMICS

15 % of your total Grade.

Review this study Guide and Notebook. This is a general guideline. You have to study the more specific concepts in your notes

Domain I-Fundamental Economics

- 1. Economics**-a social science studying the _____ of goods and services.
 - 2. Three basic questions** all economies must answer-_____ will be produced?, _____ will it be produced?, For _____ will it be produced for?
 - 3. Resources /Factors of production:** land, _____, _____ and entrepreneurship (know examples for each one)
 - 4. Product market**-finished product, where _____ and _____ are exchanged (businesses to individuals) Ex. Hamburger, t-shirts, computers
b) **Factor Market**- where _____ are exchanged, land labor capital (individuals to businesses)
 - 5. Scarcity**-problem all economies face; _____ resources, main problem.
 - 6. allocate**-distribute resources for a goal, plan, or budget because you cannot have it all.
 - 7. Capital**-anything used to make something else. AKA _____ Ex. _____, _____
 - 8. Opportunity cost**-value of the _____ best alternative (the thing you did not choose)
 - 9. Marginal cost**- the cost of getting or making one more item.
 - 10. Marginal benefit**-the benefit associated with one additional item
 - 11. Marginal benefit**=marginal cost; then no more will be made, its not worth it to do it anymore
 - 12. Trade off**- _____ given up when making a decision
 - 13. Benefits of specialization**-allows people to work in the area they know best; gain knowledge; build and produce faster; increased output; create things others cannot; skilled labor can charge more (more wage)
 - 14. Assembly line**-increases productivity-workers focus on specific tasks. Is a form of division of labor.
- Economic systems
- 15.** U.S. is a capitalist system/market/mixed
 - 16. Market economy**- _____ control factors of production. price and quantity are determined by demand and supply; government _____ interfere.
 - 17. Command/Central economy;** _____ answers economics questions; many public goods are made; unemployment is low (minimal); EX: _____
 - 18. Traditional economy**- based on _____. Do the same as _____
EX: _____
 - 19. Mixed economy**- combination of _____ and _____ economies.
 - 20. Regulatory agencies**-Consumer Product Safety-recalls unsafe products-sometimes works as a trade barrier.

21. PPF-Production Possibility Frontier/Curve; Shows the different possibilities of two products that can be produced. It shifts to the right when- new technology, investments grants; It shifts to the left when-natural disasters, higher taxes, higher cost to produce

SEE DIAGRAM IN NOTEBOOK

22. Trade-off- _____ you did not choose.

23. land- natural resources. EX: _____

24. labor- workers. They receive wages..

25. human capital-knowledge, training, _____, _____, well being

26. entrepreneurship-new _____, or _____. Receive profit for this.

27. Voluntary exchange benefits both buyer and seller. AKA _____

28. Economic goals-freedom, security, equity (being fair and just) growth, efficiency, and stability.

Domain II-Microeconomics

29. Microeconomics-focuses on interactions of _____ and _____

30. Circular flow diagram of goods and services-SEE DIAGRAM IN NOTEBOOK

31. Diminishing Marginal Utility- satisfaction goes _____ with each _____ unit consumed (marshmallows, sodas, not as good after the first one)

32. Labor is in resource market they are paid a wage

33. Supply-the quantity of goods and services that someone is willing to supply at different prices.

33. Law of supply-quantity supplied is directly _____ to the price (price goes up quantity supplied goes up) (graph slopes upward)

34. Demand –the amount of goods and services that buyers are able and willing to purchase at different prices. Must have desire, ability and willingness to buy product.

35. Law of Demand-quantity demanded is _____ related to price (as the price goes up quantity demanded goes down.) (graph slopes downward \)

36. Factors affecting supply; change in cost of inputs, changes in technology, price floors, price ceilings.

Equilibrium is the market clearing price where supply and demand are equal. This is the point on the graph where the supply and demand curve meet.

Prices will move towards equilibrium.

37. Price floors-set a _____ price. On the _____ of graph. Creates a _____. Ex. Minimum wage, price for certain goods.

38. Price ceilings-set a _____ price. On the _____ of graph. Creates a _____. Ex. Rent controls.

39. Factors affecting demand; change in income; substitutes, complements; change in preference or fad.

40. Price elasticity-how much a change in price affects demand.(most goods are elastic)

41. Inelastic-change in price has no change in demand. (insulin, salt, gas in general)

42. Sole proprietorship-_____ owner; _____ liability; all profit. Make up biggest number of businesses in U.S.

43. **Partnership**- _____ liability; divide profits. ____ or _____ owners
44. **Corporations**- _____ owners, based on sold _____; easy to raise capital by selling stock; ex: McDonalds, Sony
45. **Monopoly**- _____ firm; very high barriers to entry; 1 product, no competition, price makers. Ex. Microsoft, Standard Oil
46. **Natural monopoly**-Ex. Electric company
47. **Geographic monopoly**-the only one in town
48. **Perfect/Pure Competition**- _____ firms, no barriers to entry, products are _____. Ex: Farmer's market.
49. **Monopolistic Competition**- _____ firms, few barriers, products are _____ but not exactly same (tennis shoes, same type of product but slightly different)
50. **Oligopoly**- _____ firms, high barriers to entry, little competition. Ex. Cell phone companies, soda producers (coke, pepsi)

Domain III Macroeconomics

51. **Macroeconomics**- focuses on nations' whole economies
52. **GDP (Gross Domestic Product)**- _____ of all goods and services produced by a country in a _____. Used to measure health of economy.
53. GDP is determined by the **Output expenditure** approach- $GDP = \text{Consumer Spending} + \text{Investments} + \text{Government Spending} + \text{Net exports (X-M)}$
54. **Inflation**-a _____ in the _____ levels, Happens when there is too much money chasing too few good.
-If you _____ money inflation helps you out
-If you have money _____, are on a fixed income, if someone owes you money. then inflation hurts you
55. **Real GDP**-calculates inflation in GDP.
56. **Price Index**- _____ inflation and deflation.
57. **CPI**- basket of prices for consumer goods and services. $CPI = \frac{\text{current year}}{\text{base year}} \times 100$
58. **Aggregate Demand**-demand of all goods and services within a country.
59. **Aggregate supply**- supply of all goods and services within a country.
60. **Factors affecting Ag demand** -consumer income, taxes, transfer payments
61. **Factors affecting Ag supply**-cost of production, taxes, improvement in technology
62. **Recession**-decrease in total output that lasts for more than 2 quarters. GDP is _____, unemployment is _____.
63. **Depression**-steep fall in economy. AKA a long recession. High unemployment.
64. **Stagflation**-prices are increasing but supplies and GDP falls.
65. **Unemployment**-a person _____ looking for work that _____ find a job.
66. **Structural unemployment**- job _____ no one wants anymore because of change in taste or technology. Ex: Video store workers unemployed because of netflix
67. **Frictional unemployment**- searching or in between jobs. (taco bell to subway)
68. **Cyclical unemployment**- occurs during a _____, layoffs, and plant closings.

- 69. Seasonal unemployment**-working only during a specific time and then no longer needed. Weather causes unemployment. Ex: Lifeguard, construction, snow plow, Christmas employees
- 70. Deficit**- government _____ more than the make in _____ year.
- 71. National debt**- government _____ over _____ years combined.
- 72. Peak**-highest point on the business cycle. Economy is about to start declining
- 73. Trough**-Lowest point on business cycle. Economy is about to improve
- 74. Federal Reserve System** (AKA the FED) - Central bank, FED-12 banks, controls MONETARY POLICY
- 75. Government controls** _____ **POLICY**
- 76. Monetary policy**- open market operations (sell bonds/securities reduces money supply, buy increases money supply);
change discount rates (increase reduces money supply, decrease increases money supply)
change reserve requirements (increase reduces money supply decrease increases money supply).
- 77. Discount rate**-interest rate the FED charges for banks to borrow money
- 78. Reserve Requirement**- amount of _____ banks have to keep in bank and cannot lend out.
- 79. Fiscal Policy** - Government use of _____ & government _____ to help control the economy.
- 80.** Help economy expand- _____ taxes or increase gov't spending
Help stop inflation- _____ taxes or decrease gov't spending

Domain IV International Economics

- 81. Specialization**-division of labor, do what you know best, efficient production.
- 82. Absolute advantage**-country can produce _____ of a good than another country.
- 83. Comparative advantage**-the one with the _____ opportunity cost should specialize in that product.
- 84. Balance of trade**- Net exports. Exports-Imports
- 85. Balance of payments**- all economic transactions and trade.
- 86. Protectionism**-protect country form _____ industry. Why? Keep _____ at home & national security
- 87. Trade Barriers**-reduce foreign trade.
- 88. Tariff**- _____ on imports.
- 89. Quotas**- _____ number on _____
- 90. Embargo**- _____ trade between countries.
- 91. Standards and Safety Commission**-NON TARIFF, keeps foreign trade down by saying the product is not safe or good.
- 92. Subsidies**- _____ payments to domestic supplier to reduce price of good.
- 93. Trade barriers** leads to an increase in prices because no competition.
- 94. Free Trade**- No trade _____. Decreases prices and more competition.
- 95. NAFTA**- North America Free Trade Agreement-US, Canada, Mexico- trading block to reduce trade barriers between these countries.

96. **EU-European union trading block** to reduce trade barriers in Europe. Have same _____.

97. **Exchange rate**-measures the price of one nation's _____ in terms of another nation's currency.

98. **Appreciation**-the value of the U.S. dollar _____; US can get more foreign goods, Foreigners get less US goods.

99. **Depreciation**-dollar _____ value; US gets less foreign products, foreigners get more US products.

Domain V Personal Finance

100. **Saving**-monetary deposits saved for later

101. **Investment**- future return or benefit; it is a risk of losing money, no guarantee of getting money back.

102. **Savings account**- earns small interest because no risk is involved.

103. **Financial institution**- "bank" or "_____"

104. **Interest**- _____ on loaning out money, percentage gained

105. **Credit Union**- _____ operated bank, provided same services as a regular bank.

106. **Bank**-place to store money, receive a loan, open a checking account.

107. **Mutual fund**- a form of investment in _____ and _____ (medium risk)

108. **Bonds**- _____ money to _____, get interest in return. Low risk investment.

109. **Stocks**-Corporation sells parts of the company and you get part _____, very risky investment, make the most money the fastest.

110. **Inflation** makes real wages decrease although there is no real change in wage it seems like it. (e.g. Making same amount of money, but your money buys less)

111. **Progressive tax**- tax _____ as income increases. Rich pay the most. Ex. Federal income tax.

112. **Regressive tax**- tax _____ as income decreases. Poor people pay most. Ex. Sales tax.

113. **Proportional tax**- (flat tax) everyone pays the same thing. (same proportion of income)

114. **Credit worthiness**-ability to secure a loan. High credit score, responsible with money

115. **Collateral**- something of _____ you own the bank could take over if a debt is not _____.

116. **Simple interest rate**- gain interest only off _____ principal.

117. **Compound interest**- You gain interest on you _____ as well as _____ amount. (charged more if on a credit card, gain more money if investing)

118. **Credit Cards**-Consumer pays high interest.

119. **Mortgage Loan**-House loan of 15-30 years.

120. **Asset Protection**-Protection against future financial loss

121. **Deductible**-Amount of money insurers pays _____ when a claim is filed

123. **Demand** for a service or job can boost wage....

124. **Labor** is in limited supply can boost wage.

- 125. Training** and more education can boost wage.
- 126. Insurance-** Protects against large financial losses.
- 127. Health insurance-** go to doctor, surgery
- 128. Life insurance-** pays benefit once policy owner dies, helps loved ones.
- 129. Dental ins.-** teeth problems (helps)
- 130. Disability ins.** – Replaces portion of _____ if you can't work
- 131. Liability ins.-** pays for damages you make to someone _____ property
- 132. Property ins.-** pays for damages to house or other property
- 133. Auto ins.-** pays for damages to car if in wreck
- 134. Incentives-** Reward or punishment for acting in a certain way. People react predictably to incentives

Have to review in Notebook

- PPF and their shifts
- Circular Flow Diagram
- Product Market
- Resource Market
- Supply and Demand Curves and their shifts
- Price floors and price ceiling graphs
- Calculation of inflation and unemployment and interest
- Interpret exchange rate table.
- Absolute and comparative advantage charts.
- Business Cycle chart