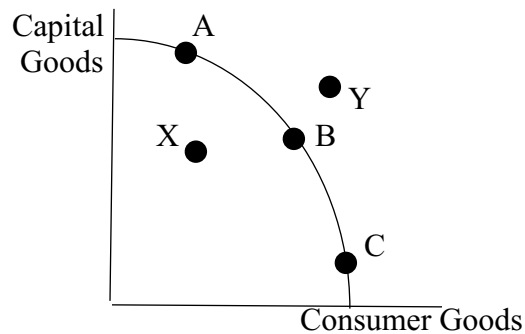


## Unit 1: Fundamentals of Economics

1. How would you define economics?
2. What is the #1 problem of economics?
3. What are the 4 productive resources? Be able to recognize an example of each.
4. Why is human capital important to a market economy?
5. What is another term for an entrepreneur?
6. What are the 3 basic economic questions that all societies must answer?
7. Who owns the factors of production in a command economy?
8. Who owns the productive resources in a market economy?
9. What does consumer sovereignty mean?
10. What type of economy does the U.S. have?
11. Why is voluntary exchange important in a market economy?
12. What is the next best alternative known as?
13. What is the difference between a trade-off and opportunity cost?
14. What is the purpose of a PPC?
15. Why is specialization important to a market economy?
16. Explain the acronym: TINSTAAFL
17. What is a marginal cost and marginal benefit?
18. What is the law of diminishing marginal utility?
19. Answer the following questions below about the PPC.



- (a) What product is being produced the most at point A?
  - (b) What does point X tell us about production?
  - (c) What state is the macroeconomy in at point X?
  - (d) What is the opportunity cost of moving from point B to C?
  - (e) Explain what point Y is on the PPC?
  - (f) What is the state of the macroeconomy at point Y?
  - (g) How can the society permanently reach point Y (3 things)?
  - (h) What is the law of increasing opportunity cost?
20. Who is the “father of capitalism”?
  21. Briefly explain the economic theories of *laissez-faire economics*?
  22. What are the 4 roles of government in a market economy?
  23. What is a public good, how are public goods funded, and what’s an example?
  24. What is an externality? Give an example of a positive and negative externality?
  25. List the 7 economic and social goals of a market economy.

## Unit 2: Personal Finance

1. What are incentives, and why do incentives matter in economics?
2. When someone is using cost-benefit analysis or thinking “rationally,” what are they doing?
3. How do financial institutions, such as banks, make money?
4. Why might a credit union be a better financial institution than a commercial bank for someone who need a loan?
5. What is credit? What is the cost of credit? What is the principal balance of a loan?
6. What is the difference between simple and compound interest? Which one is better if you're taking out a loan? What about making an investment?
7. Whenever you borrow money from a lender, what is the #1 thing you should focus on?
8. What does APR mean, and why is it important in determining credit?
9. What are some factors that affect your credit worthiness? (list 4 from most important to least)
10. What is the difference between a credit score of 750 and 500 for someone who is trying to take out a loan for a car or house from a lender? Will the person with a 500 credit score be able to get a loan? If so, what's the cost to that individual?
11. What is the difference between a debit card and a credit card?
12. Why should anyone invest?
13. When is the best time to invest (think age and interest rates)?
14. When investing in real estate, what's the #1 Rule?
15. List the various types of investments from the riskiest to the least risky.
16. When purchasing a stock, what are you actually buying?
17. What is a bond?
18. What is the difference between a CD and a savings account?
19. What are the 3 types of tax structures? Explain each one briefly please.
20. What type of tax structure does the federal individual income tax fall under?
21. Who collects the federal income tax?
22. When must you file your 1040 to the IRS by?
23. What type(s) of tax structure would a sales tax be considered?
24. Why do people purchase insurance?
25. What factors influence the cost of auto insurance?
26. When purchasing health insurance, what is the relationship between the premium and deductible? When should someone pay a low premium and high deductible and vice versa?
27. What is life insurance, and at what point in your life should you purchase more life insurance?
28. How can disability insurance help you?
29. What does property insurance cover?
30. What is human capital, and why is it significant to invest in your own human capital?

### Unit 3: Microeconomics

1. Draw and label the Circular Flow Model.
2. Who is the buyer and seller in the Factor/Resource Market? What's being sold?
3. Who is the buyer and seller in the Product Market? What's being sold?
4. Why do Households/Individuals purchase finished goods and services?
5. Why do entrepreneurs go into business in a free enterprise system?
6. What is another term for a business?
7. What entity is in the middle of the circular flow model? What's its primary purpose?
8. What is the primary purpose of money in a market economy? And how does this take place?
9. What is the Law of Demand?
10. What is the difference between Quantity Demanded (Qd) and Demand?
11. Draw a Demand Curve. Demand Curves always slope which way?
12. What always changes Qd but NEVER EVER changes DEMAND?
13. What are the 5 Determinants ("Shifters") of Demand? Know how each one affects the Demand Curve.
14. If the Demand Curve shifts right what does that mean? What about a left shift?
15. What is Elasticity of Demand mean? What is an example of a product with inelastic demand? What makes it inelastic?
16. What is the Law of Supply?
17. What is the difference between Quantity Supplied (Qs) and Supply?
18. Draw a Supply Curve. Supply Curves always slope which way?
19. What always changes Qd but NEVER EVER changes DEMAND?
20. What are the 6 Determinants ("Shifters") of Supply? Know how each one affects the Supply Curve.
21. If the Supply Curve shifts right what does that mean? What about a left shift?
22. What is the point called where Demand & Supply Curves intersect?
23. What is it called when  $Q_d > Q_s$ ? What is it called when  $Q_s > Q_d$ ?
24. What is a price ceiling, and what does it cause in the market? Give an example.
25. What is a price floor, and what does it cause in the market? Give an example.
26. List the 4 types of market structures from most competitive to least competitive.
27. What are the basic characteristics and advantages/disadvantages of the 4 market structures? Give an example of each.
28. What are the 3 types of business organizations & their characteristics?
29. What are the advantages/disadvantages of the 3 types of business organizations?
30. Which business organization is the most common (75%)? Which business organization is the least common (5%)? Which business organization produces approximately 90% of all products in America?

## Unit 4: Macroeconomics

1. What 3 areas things does macroeconomics focus on?
2. What is the #1 indicator of a nation's economy?
3. Define GDP, give me the 4 components, and give me each one's percentage of GDP.
4. What are the 5 exclusionary components of GDP?
5. What does real GDP per capita measure?
6. What 2 things does GDP not measure?
7. What is the difference between nominal and real GDP?
8. What does CPI stand for and what is it used to calculate?
9. Draw and label the Business Cycle.
10. What is the definition of a recession?
11. Draw and label an Aggregate Demand and Aggregate Supply Curve with a LRAS to demonstrate full employment. Then mark a shift that creates a recessionary gap and a shift the causes an inflationary gap.
12. According to the U.S. census bureau, who is considered unemployed?
13. What are the 4 types of unemployment? Which 3 represent the NRU?
14. What is the natural rate of unemployment (NRU)? What percentage is considered full employment?
15. What type of unemployment is the worse and leads to fiscal and monetary policy actions?
16. What is inflation, and how does it impact the purchasing power of the dollar?
17. What group is hurt the most by inflation?
18. What makes stagflation so bad? What type of inflation causes stagflation?
19. What is the name of the U.S. central bank? What 2 main purposes does a central bank serve?
20. What is monetary policy?
21. What are the 3 tools of the Fed to use expansionary or contractionary monetary policy? When should the Fed use expansionary and contractionary monetary policy?
22. What is open market operations, and why does the Fed use this type of monetary policy the most?
23. What happens to interest rates when the Fed sells and buys bonds?
24. How does the reserve requirement and discount rate impact financial institutions?
25. How do budget deficits impact the national debt?
26. What is fiscal policy, and what are the 2 tools of fiscal policy?
27. When should the government use expansionary fiscal policy? What about contractionary fiscal policy?
28. Which fiscal policy is easier for the government to enact? Why?
29. What is the opportunity cost of expansionary fiscal policy?
30. How is Keynesian Economics different from Classical Economics?

## Unit 5 International Trade

1. Why is economic independence of isolationism bad for a country's economy? Can you give me an example of such a nation today?
2. Why is specialization so important for international trade?
3. What does it mean if a country has an Absolute Advantage in producing a specific product?
4. When a nation has an Absolute Advantage in production, should that country produce everything it has such an advantage in? Why or why not?
5. What is the Law of Comparative Advantage?
6. Do most modern countries operate on Absolute or Comparative Advantages today?
7. Why do Protectionist want trade barriers?
8. What is the difference between a tariff and a quota?
9. Why do nations place embargos on other nations?
10. What is meant by a Free Trade Zone?
11. Explain the following Trading Blocs (Agreements): NAFTA, EU, and ASEAN
12. What is the primary purpose of the WTO?
13. What is bought and sold in the foreign exchange market (FOREX)?
14. What determines the value of a nation's currency?
15. In a flexible rate of exchange, what gives a nation's currency its value?
16. What type of rate of exchange does China use?
17. If a currency's value increases, it has \_\_\_\_\_ and is \_\_\_\_\_.
18. If a currency's value decreases, it has \_\_\_\_\_ and is \_\_\_\_\_.
19. If a currency is "strong" then imports will \_\_\_\_\_ and exports will \_\_\_\_\_.
20. If a currency is "weak" then exports will \_\_\_\_\_ and imports will \_\_\_\_\_.
21. If a country's exports exceed imports, then it has a trade \_\_\_\_\_, or favorable balance of trade.
22. If a country's imports exceed exports, then it has a trade \_\_\_\_\_, or unfavorable balance of trade.
23. Would you say that America has a trade surplus or deficit over the past decade?
24. What is the difference between balance of trade and balance of payments?
25. What 2 accounts make up the balance of payments?

