

# Economics Final Exam Review Worksheet

*Mr. T and Mr. McGrath*

Define Scarcity in 4 words (this is the fundamental principal in economics!)

Recognize the 4 Factors of Production: Land, Labor, Capital, Entrepreneurship

Give an example of a consumer good:

Give an example of a consumer service:

Scarcity forces us to make a choice. When you sacrifice one thing for another, that is called a trade-off. Can you think of an example?

When you make a trade-off, the thing you did not choose is your opportunity cost. Can you think of an example?

Helen received \$30 for shoveling the neighbor's driveway. She wants to buy a new hat and a new pair of gloves, but only has enough money for one of the items.  
What is the opportunity cost of buying the gloves?

Factors of production include: Land, Labor, Capital, and Entrepreneurship. Which factor of production would you associate with each of these items in a lumber yard business?

- a. Delivery truck driver
- b. Forklift operator
- c. Logs
- d. Cross-cut saw
- e. Specs for their patented lamination process for making their brand of plywood

Who controls a Command Economy?

Who controls a Market-based Economy?

Recognize the major economic and social goals an economic system

- a. Economic freedom
- b. Economic efficiency
- c. Economic equity
- d. Economic security
- e. Full employment
- f. Price stability
- g. Economic growth

What are the 3 basic economic questions that a society must ask itself?

What is a period by period increase in prices called?

What does the Law of Demand say?

What does the Law of Supply say?

How does a change in price shift the demand curve? (careful - think...)

What is the difference between a change in Demand and a change in Quantity Demanded?

When a change in price causes an even larger change in quantity demanded of a product, the demand for the product is considered what?

If the price of gas goes way up, consumers may purchase fewer pickup trucks. In this example, gas and trucks are considered what?

If the price of butter goes up, I will likely buy more margarine instead. Butter and margarine are what?

Producers will normally offer more products for sale when the market price for their product is higher and fewer when the price is lower. What law is this?

What is the point where the Demand Curve intersects the Supply Curve called?

Is minimum wage an example of a price floor or a price ceiling?

Give an example of a negative externality.

How can a production possibilities curve be moved outward?

Which GDP is adjusted for inflation? How does that help us compare one year to another?

What is a mortgage?

What is the name of the U.S. central bank?

If the government printed a lot more money to pay its bills, what would happen to prices?

$GDP = C + G + I + NX$  (Exports - Imports)

Recognize the 3 Economic Systems and their differences:

- a. Traditional Economy
- b. Command Economy
- c. Market Economy

Please give an example of the principle of Diminishing Marginal Utility

When the price of an item drops consumers tend to purchase more of it because they feel like they have more money when it costs less. What Effect is this?

When the price of a good drops, it becomes relatively less expensive than other more expensive options that people can spend their money on so consumers replace a more costly item with the new, lower-priced item. What Effect is this?

Recognize the Determinants of Demand (factors that can shift Demand)?

- a. Consumer income
- b. Consumer tastes
- c. Substitutes
- d. Complements
- e. Number of consumers
- f. Changes in expectations

Recognize the Determinants of Supply (factors that can shift Supply)?

- a. Cost of inputs
- b. Productivity
- c. Technology
- d. Taxes and subsidies
- e. Expectations
- f. Government regulations
- g. Number of sellers

What is the classic example of a product with a very Inelastic Demand curve?

If the price of kayaks goes way up due to market forces, will the supply curve shift to the right? Why or why not?

What do inelastic and elastic Demand and Supply Curves look like on a graph?

Explain the difference between a surplus and a shortage and give an example of each.

If the government establishes a price ceiling on Greebes, is the market likely to have a shortage or a surplus - and why?

Who is the father of modern economics?

What does Laissez-Faire mean in economics?

Which school of thought supports counter-cyclical economic policy?

Recognize and describe the characteristics of the 4 Market Structures:

- a. Perfect Competition
- b. Monopolistic Competition
- c. Oligopoly
- d. Monopoly

Necessities are: Food, Water, Shelter, Air

Determinants (factors) of Demand elasticity can include:

- a. Change over time
- b. Relative importance (urgency or cost)
- c. Necessity vs. luxury
- d. Availability of substitutes

Match one of the above to following four situations:

1. Home mortgage payment vs. new television
2. Steak house dinner vs. grocery store
3. Kohl's house brand shirt vs. Polo shirt
4. Paid higher and higher gas prices last two months, carpooled this month

Recognize a basket of goods.

What is the Consumer Price Index used to calculate?

What is an example of inelastic supply, and why can it *not* shift or adapt quickly?

What is the difference between a normal good and an inferior good, and when does a consumer tend to select each?

What is the balance of trade? Define a trade surplus and a trade deficit.

What are positive and negative externalities. Give examples.

What is unemployment? Underemployment?

What is a decline in GDP over 2 quarters called? Over 4 quarters?

How do price floors and price ceilings lead to surplus or shortage?

What is it called when consumers demand more than suppliers can supply? What is the opposite situation called?

In the graph to the right...

Which point represents original equilibrium?

What does line  $D_1$  represent?

Where would the new equilibrium be?

Is there a shortage or a surplus at Price level  $b$ ?

Which point represents a higher Quantity Demanded:  $a$  or  $c$ ?

Which point represents a higher Price point:  $d$  or  $c$ ?

