

Name \_\_\_\_\_

## ECONOMICS – FINAL EXAM REVIEW

### Unit One-Define the Following (Use Notes):

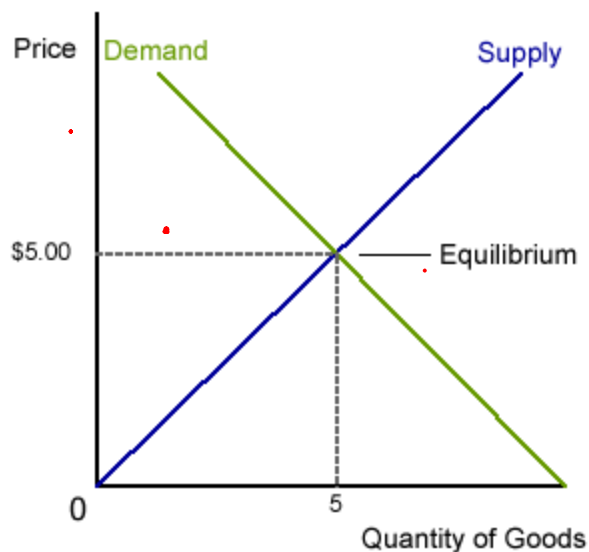
- **Economics**-Study of how individuals and society make choices about ways to use scarce resources.
- **Factors of Production**-resources of land, labor capital, entrepreneurship and technology
- **Land**-natural resources (ex: trees, coal, water, gold, oil)
- **Labor**-human effort directed toward producing goods and services (ex: construction worker, mailman, doctor)
- **Capital**-previously manufactured goods used to make other goods and services (ex: machines, factories)
- **Scarcity**-not being able to have all of the goods and services one wants, because wants exceed what can be made from all available resources at any given time.
- **Incentives**-something that motivates or encourages someone to do something
- **Trade-off**-sacrificing one good or service to purchase or produce another.
- **Opportunity Cost**-value of the next best alternative given up for the alternative that was chosen.
- **Supply**-the amount of a good or service that producers are **able** and **willing** to sell at various prices during a specified time period.
- **Demand**-the amount of a good or service that consumers are **able** and **willing** to buy at various possible prices during a specified time period.
- **Law of Supply**-Economic rule stating that price and quantity supplied move in the same direction.
- **Law of Demand**-quantity demanded and price move in opposite directions.
- **Production Possibilities Curve**-graph showing the maximal combinations of goods and services that can be produced from a fixed amount of resources in a given period of time.
- **Consumer**-any person or group that buys or uses goods and services to satisfy personal needs and wants
- **Producer**-a person, company or country that makes, grows or supplies goods for sale
- **Equilibrium**-the price at which the amount producers are willing to supply is equal to the amount consumers are willing to buy.
- **Market Economy**-system where individuals own the factors of production and make economic decisions through free interaction while looking out for their own best interest.
- **Shortage**-the quantity demanded is greater than the quantity supplied
- **Surplus**-the quantity supplied is greater than the quantity demanded.
- **Price ceiling**-legal maximum price that may be charged for a particular good or service
- **Price floor**-a legal minimum price below which a good or service may not be sold.

## ECONOMICS – FINAL EXAM REVIEW

### Answer the following:

1. What are resources? Why are they limited?  
The materials, money, capital, etc. needed to make goods and services. They are limited because we may not always have enough. For example-human resources are limited in the number of hours they can work, the quickness they can produce a product, etc.
2. Difference between *want* and *need*  
A need is fundamental for survival whereas a want is something you can live without.
3. Consumer good vs. capital good  
Consumer goods are goods bought by individual people. Capital goods are goods bought by companies.
4. Difference between opportunity cost & trade-off  
A trade off describes what you sacrifice to get something else. The opportunity cost is the most desired alternative that you gave up (the next best thing).
5. Three basic questions all economic systems must answer  
What to produce?  
How to produce?  
For whom to produce?
6. Be able to graph a supply curve and a demand curve.

**Graph A - Supply and Demand Curve**



**ECONOMICS – FINAL EXAM REVIEW****Unit Two-Define the following words (Use notes)**

- **Protective Tariff**-tax placed on imported goods so that people will buy American made goods
- **Import**-Goods brought into the country (we buy)
- **Export**-Goods sold out of the country (we sell)
- **Internal Improvements**-building roads, railroads, canals, etc.
- **Bank of the US**-early national banking system not supported by the west and the south.
- **Cotton Gin**-invented by Eli Whitney; removes cotton seeds from the fibers at a fast, efficient pace
- **Interchangeable Parts**-invented by Eli Whitney; parts that are identical
- **Mass Production**-producing large amounts of a good
- **Nullification Crisis of the 1830s**-South Carolina was angry about the Tariff of Abominations (protective tariff) so they nullified, or canceled, it saying that their state would not pay the federal tax.
- **Speculation**-risky financial investments (stock market)
- **Buying on Margin**-paying a down payment and buying the rest.

**Answer the following questions**

1. What type of economy was each colonial region based on?
  - a. New England-Commerce (trading manufactured goods, shipbuilding, fishing)
  - b. Mid Atlantic-Staple crops like wheat and corn
  - c. Southern-Cash crops like tobacco, rice and indigo. Also depended on slavery. (Cotton was NOT a cash crop because the cotton gin had not been invented yet)
2. Explain the difference between indentured servitude and slavery.  
Indentured servants gained free passage to America and had to work 5-7 years to pay off their debt. Once they had served their time, they could become free. Slaves were forcefully brought to the new world with no pay and no hope of becoming free.
3. Explain the difference between sectionalism and nationalism  
Sectionalism is strong pride in your region of the country (example: I'm southern!). Nationalism is strong pride in your country (Example: 'Murica!)
4. Complete the chart below from Antebellum America indicating whether each region supported or opposed the listed issues.

Issue	North	South	West
Bank of the US	Supported	Opposed	Opposed
Protective Tariff	Supported	Opposed	Supported
Internal Improvements	Supported	Opposed	Supported
Slavery	Opposed	Supported	Split

5. List the southern advantages and disadvantages going into the Civil War.  
Advantages: first rate military leadership, fighting a defensive war, knew the land. Disadvantages: Lack of railroads, lack of people, relied on King Cotton
6. List the northern advantages going into the Civil War.  
More people, more railroads, more factories, more food production, better communication and a functioning navy. (Also had a better strategy-the Anaconda Plan)
7. Explain how the government fostered economic growth after the Civil War.  
National bank provided loans, they gave out land grants so that people would move out west, they removed native Americans from the west to make way for settlers, they regulated interstate commerce (trade between the states), and used a protective tariff.
8. What issues did farmers face after the Civil War (during the Gilded Age)?  
They produced an abundance of crops (**surplus**), crop prices fell, railroad prices were too high
9. Describe the Populist movement.  
The People's party (farmers and factory workers). They wanted regulation of railroads and banks, free silver, federal loans, popular election of senators, secret ballots, 8 hour work day, immigration restrictions

Name \_\_\_\_\_

## ECONOMICS – FINAL EXAM REVIEW

10. Describe the working conditions for laborers during the Gilded Age.  
Laborers worked 6 to 7 days a week, 12-16 hours a day, no vacations, no sick days, no compensation for injury. Death was common.
11. How did immigration impact jobs during the Gilded Age?  
Immigrants provided cheap labor and introduced competition to working class Americans.
12. How did labor unions impact the economy? List and explain at least 3 examples.  
They often caused strikes which would shut down that industry for a temporary time.  
The Great Railroad strike of 1877, the Haymarket Affair and the Pullman strike all caused the government to step in and end the strike in order for companies to get back to work.
13. List 3 reasons that the standard of living rose during the 1920s.  
Installment plans(buy now, pay later like credit), new home appliances(vacuums, refrigerators) and transportation (cars)
14. What were some problems Americans faced at the end of the 1920s?  
Too much was bought on credit (through installments) and Americans didn't actually have the money to pay off their debt.
15. What happened on October 29, 1929?  
The stock market crashed which signaled the beginning of the Great Depression.
16. List 3 effects of the Great Depression on Americans.  
Families were undernourished, schools closed, marriages delayed, birthrate fell, men abandoned families, women/children went to work
17. Describe at least 3 impacts that war has on the economy.  
Huge growth in industry, emphasis on food production, shortage of workers, government control of the economy, increased use of propaganda, new roles for women and minorities, scientific and Medical advancements.

**ECONOMICS – FINAL EXAM REVIEW****Unit Three-Define the following (Use Notes and Chapter 18):**

- **Specialization**-a nation should produce and export a limited assortment of goods for which it is particularly suited in order to remain profitable.
- **Comparative Advantage**-ability of a country to produce a product at a lower opportunity cost than another country.
- **Absolute Advantage**-ability of one country to produce a product more efficiently than can another country
- **Globalization**-nations are a global society interconnected through trade markets
- **Tariffs**-Tax placed on imported product
- **Quotas**-a limit on the number of goods or services imported into a country
- **Embargo**-a complete restriction on the import or export of a particular good
- **Free Trade**-international trade is left to its natural course without interference of trade barriers like tariffs, quotas or embargoes.
- **Subsidies**-a sum of money granted by the government or a public body to assist an industry or business so that the price of a commodity or service may remain low or competitive.
- **Restrictions**-limit on the trading of goods and services between countries.
- **Trade Barriers**-government restrictions on international trade.

**Answer the following questions:**

1. When does a country have an absolute advantage? A comparative advantage?  
An absolute advantage when it can produce a product more efficiently than another country. It has a comparative advantage when it can produce a product at a lower opportunity cost than another country.
2. Why does trade benefit everyone involved?  
Countries can specialize in what they do best and trade for the rest. This allows for lower prices for consumers.
3. Why do nations specialize?  
In order to utilize natural resources efficiently and produce what you have the lowest opportunity cost of.
4. Explain the difference between a fixed rate of exchange and a flexible exchange rate.  
A fixed rate of exchange is when a national government sets the value of its currency in relation to a single standard. A flexible rate of exchange is an arrangement in which the forces of supply and demand are allowed to set the price of various currencies.
5. What is a trade deficit?  
When you import more than you export (when you buy more than you sell)
6. Why do nations need to convert their currency when trading?  
Nations should convert currency because the value of one nation's currency may not be as much as another nation's currency. By converting, **it makes trade easier.**
7. Explain the difference between imports and exports.  
Imports are goods brought into the country (buy) and exports are goods sent out of the country (sell)

**ECONOMICS – FINAL EXAM REVIEW****Unit Four-Define the Following:**

- **Interest**-the fee someone pays to be able to borrow money. You can pay interest or make interest.
- **Principal**-amount of money originally borrowed in a loan
- **Budget**-Plan of how you will spend the money that you make or receive.
- **Federal Reserve**-The nation's central banking organization that has a Board of Governors, the Federal Open Market Committee and **12 regional banks**.
- **Credit Union**-depository institution (Where you put money in) owned and operated by its members to provide savings accounts and low-interest loans only to its members.
- **Money Order**-a printed order for payment of a specified sum, issued by a bank or post office. Safer than a check because with a check you can write one even if you don't have the money in the bank.
- **Cash Advances**-Loans of cash from your credit cards
- **Payday Lenders**-offer small cash loans, usually from \$100-\$500 with payment due in full at the borrower's next paycheck.
- **Annual Percentage Rate**-Interest rate charged on the balance.
- **Credit Score**-A number representing how likely you are to pay off your debt.
- **Credit Report**-A record that details a person's credit history.
- **FAFSA**-Free Application for Federal Student Aid-forms used to apply for federal education grants and loans.
- **Mortgage**-installment debt owed on houses, buildings or land (real estate)
- **Balloon Payment**-Lower interest rates with a big payment at the end of the loan
- **Foreclosure**-when you lose your rights of ownership and the bank takes the property
- **Federal Income Tax**-Federal government charges a tax on the money you earn each year (established with the 16<sup>th</sup> amendment)
- **Truth in Lending Act**-Individuals and businesses extending credit must reveal all the terms and costs attached to it.
- **Fair Credit Reporting Act**-the information in your credit report is accurate, complete and private.
- **Stocks**-share of ownership in a corporation that entitles the buyer to a certain part of the future profits and assets of the corporation
- **Bonds**-You loan an amount of money to the organization issuing the bond at a certain interest rate for a certain period of time. When the bond matures, you get back the initial investment plus interest.
- **Mutual Funds**-investment company that pools the money of many individuals to buy stocks, bonds or other investments
- **Rate of Return**-The ratio of money you gain on an investment in relation to the amount of money that was invested.
- **Stock Exchange**-A place where stocks are bought and sold.
- **NY Stock Exchange**-Largest in the world in terms of amount of money traded. It is located in New York City

Name \_\_\_\_\_

## ECONOMICS – FINAL EXAM REVIEW

- **NASDAQ**-The world's 1<sup>st</sup> electronic stock market, has the 30 largest corporations

### Answer the Following Questions:

What is the difference between a savings plan and a savings vehicle?

A savings plan is where you save money for the long term and a savings vehicle is when you have a separate savings account from your checking account.

List and describe the four types of accounts you can have.

Checking Account-Deposits and withdrawals using an ATM or debit card or personal check

Money Market Account-savings account where you can write a limited number of checks, has a high min. balance and a high interest rate.

Savings Accounts-safe place for money, make interest, limited access

Certificates of Deposits-Deposits held by your bank for a specific, fixed period of time and earn a fixed interest rate.

What does FDIC Insurance mean?

That your deposits at all banks are insured, it protects your money in an account.

What does it mean to balance your checkbook?

To keep track of the amount of money you put into and take out of your account. You do this to make sure that you're not taking out more than you put in.

Describe what the Federal Reserve System does.

It creates a stable banking system to make sure we are prepared in a crisis. It has 12 regional banks.

What is the difference between a credit card and a debit card?

Credit cards do not draw money from your account, but instead provides a short term loan to make everyday purchases. A debit card is money taken directly from your bank account using a pin number.

What are four strategies to lowering or eliminating your debt?

Stop spending on credit, pay at least the minimum balance on time, ask credit card company to lower your interest rate, do your research and consider debt consolidation.

What are the three credit bureaus and what do they do?

Equifax, Experian and TransUnion. They are agencies that collect credit information about individuals and can then calculate a credit score.

What are the laws regarding you obtaining your credit score? Your credit report?

In order to obtain your credit score you must pay a fee. You are entitled to one free credit report per year from each bureau.

What are the 5 steps in the student loan life cycle?

Research, Apply, Select, Study, Repay

What are the main differences between renting and owning?

When you rent a landlord is responsible for maintaining the property. When you buy you have total control and responsibility as well as making a long-term investment.

Why do we pay taxes?

To support services that we need like firefighters

What is phishing?

Schemes that require you to give your personal information in order to claim a prize.

What are the most common types of identity theft?

Credit card fraud, new phone plan, sign up for utilities, open a banking account and write bad checks.

What is a dividend?

Your share of a company's profits