Economics Test Study Guide

CE.11a:

1. Define the following terms:
   - Scarcity: inability to satisfy all wants at the same time.
   - Resources: factors of production that are used in the production of goods and services.
   - Choice: a selection of an item or action from a set of possible alternatives.
   - Opportunity cost: what is given up when a choice is made.
   - Price: the amount of money exchanged for a good or service.
   - Incentives: used to incite or motivate a change in economic behavior.
   - Supply and demand: determines price. Demand is amount of good or service consumers are willing and able to buy at a certain price. Supply is the amount of good or service producers are willing to sell at a certain price.
   - Production: combining of human, natural, capital and entrepreneurship resources to make goods or provide a service.
   - Consumption: using of goods and services

CE.11b:

2. What are the 3 basic questions of economies?
   - What will be produced?
   - Who will produce it?
   - For whom will it be produced?

3. What type of economy is based on custom and historical precedent? Traditional Economy

4. Which type of economy has private ownership of property/resources with minimal government involvement in the economy? Free Market Economy


6. What type of economy does the US have? Mixed Economy

CE.11c:

7. What determines price in the US economy? Supply and Demand

8. What are the essential characteristics of the US economy?
   - Private Property
   - Profit
   - Competition
   - Consumer Sovereignty
9. Define the 3 types of business organizations.  
   - Proprietorship-a form of business organization with one owner who takes all the risks and profits.  
   - Partnership-a form of business organization with two or more owners who share the risks and the profits  
   - Corporation-a form of business organization that is authorized by law to act as a legal entity regardless of the number of owners. Owners share the risks and profits. Liability is limited to the amount of investment  

10. What is an entrepreneur? A person who takes risks to produce a good or service.  

11. What provides financial capital that can be borrowed for business expansion and increased consumption? Individuals and business savings and investments  
12. Who owns the resources, sells those resources, and uses the income to purchase products? Individuals/Households  
13. Who buys the resources, makes products, and uses the profits to purchase more resources? Businesses/Firms  
14. What is the role of the government in the economic flow? Collect taxes and provide public goods and services  

15. What are 3 examples of private financial institutions?  
   - Banks  
   - Savings & Loans  
   - Credit Unions  

16. What are 2 functions of private financial institutions?  
   - Receive deposits and make loans  
   - Encourage savings and investments by paying interest on deposits  

17. Define global economy. Worldwide markets in which the buying and selling of goods and services by all nations takes place  
18. Why do states and nations trade?  
   - To obtain goods and services they cannot produce or cannot produce efficiently  
   - To buy goods and services at a lower cost or lower opportunity cost
• To sell goods and services to other countries
• To create jobs

19. What is the impact of technological innovation on global trade?
• Contributes to global flow of information, capital, goods and services
• Lowers the cost of production

CE.13a:

20. How does the US government promote competition?
• Enforces antitrust legislation (no monopolies)
• Engages in global trade
• Supports business start ups

21. What government agencies regulate business?
• FCC-Federal Communications Commission
• EPA-Environmental Protection Agency
• FTC-Federal Trade Commission

CE.13b:

22. What are the characteristics of goods and services provided by the government?
• Provided to many simultaneously
• Would not be provided or available if up to individuals
• Include: interstate highways, postal service, and national defense

23. How does the government pay for the goods and services they provide?
• Tax Revenue
• Borrowed Funds
• Fees

CE.13c:

24. How does the government influence economic activity?
• Increase taxes, decreases funds available for individuals; Decrease taxes increases funds available for individuals
• Increase borrowing decreases funds available to borrow by individuals; Decrease borrowing, increases the funds available for borrowing by individuals
• Increased spending, increases demand, employment and production; Decreased spending, decreases demand and slows the economy
25. What happens to individual/business taxes if the government increases spending? *Taxes increase*

26. What does the 16th Amendment grant Congress? *Income taxes on individuals and businesses*

**CE.13d:**

27. What is the role of the Federal Reserve System?
   - Maintain the value of national currency
   - Regulate banks
   - Manage the amount of money in the economy
   - Act as the nation’s central bank

**CE.13e:**

28. What is the role of the US government in protecting consumer rights? *Government protects public health and safety*

**CE.13f:**

29. What are the types of money used in the US?
   - Coins
   - Federal Reserve Notes
   - Checks and Debit Cards

**CE.14a-f:**

30. Where does career planning begin? *Self Assessment*

31. What is the role of work ethic in determining career success? *Sought by employers*

32. What factors lead to higher income?
   - Education
   - Skills
   - Supply and Demand

33. What is the impact of technology on the workplace?
   - Creates new jobs
   - People can work across international borders
   - Creates competition

34. What are 3 ways to be fiscally responsible?
   - Careful spending decisions
   - Saving and investing for future
   - Having insurance
• Keep to a budget
• Using credit wisely
• Understanding contracts, warranties, and guarantees

**Short Answer:**

35. What is a proprietorship and provide an example? Business owned and operated by a single person who takes all the risks and all the profits. Example: Mug N Muffin or other local businesses

36. How has technology changed global trade? Provide a real world example. Increased global flow of information and creates lower cost production. Buying goods in foreign countries like chocolates from Belgium or Olive Oil from Greece directly.

37. Name a government agency that regulates business and provide an example EPA-regulates the environmental impact of businesses. FTC-regulates monopolies and fair trade in the US. FCC-regulates how companies promote themselves.

38. Provide an example of a public good or service. Interstate Highways, Postal Service, Military, Schools, Fire Department, Police Department

**Essay:** Answer should be written in paragraph form and include supporting details and examples.

39. Explain the four types of economic systems and describe the characteristics that make the United States a mixed economy.

**Explain:**

• **command:** central owned and planned
• **traditional:** custom and historical precedent
• **free market:** private ownership and minimal govt involvement
• **mixed:** individuals own private and govt owns public sector

**Describe:** private property, profit, competition, consumer sovereignty