**Economics**

**Mastery Study Guide**

**Unit 1- Economic Fundamentals**

***SSEF1 Explain why limited productive resources and unlimited wants result in scarcity, opportunity costs, and tradeoffs for individuals, businesses, and governments.***

1. What is scarcity?
2. What is an example of something that is scarce?
3. What are the four factors of production?
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   2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
4. What are the two different types of capital?
5. What do the factors of production generate?
6. Why do entrepreneurs take risks?
7. What is Profit?
8. What is a trade off?
9. In a trade off, what is the opportunity cost?

***SSEF2 Give examples of how rational decision making entails comparing the marginal benefits and the marginal costs of an action.***

1. In economics, what does “marginal” mean?
2. What is marginal benefit?
3. What is marginal cost?
4. What does the law of diminishing marginal utility state?
5. When does rational decision making occur?
6. What are incentives?
7. What is an example of a positive incentive?
8. What is an example of a negative incentive?

***SSEF3 Explain how specialization and voluntary exchange influence buyers and sellers.***

1. What is specialization?
2. What is an example of specialization?
3. What does specialization lead to?
4. What is voluntary exchange?
5. What are the benefits of voluntary exchange?
6. Who benefits from non-fraudulent exchange?

***SSEF4 Compare and contrast different economic systems and explain how they answer the three basic economic questions of what to produce, how to produce, and for whom to produce.***

1. What are the four types of economic systems?
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   2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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   4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. What is the strength of traditional economies?
3. Who make the decisions in command economies?
4. What is a major weakness of command economies?
5. What are the two other names for market economies?
6. What are two strengths of market economies?
7. For a market economy to work, what three factors must be present?
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   2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
8. What is consumer sovereignty?
9. What are the characteristics of a mixed economy?
10. What are the three basic economic questions?
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    2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
11. What is allocation?
12. What are the economic and social goals for the U.S.?
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    2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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    6. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    7. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
13. What are the different ways to allocate scarce resources?
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    2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
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    9. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

***SSEF5 Describe the roles of government in the United States economy.***

1. What is an example of a public good?
2. When the government imposes regulation, what is it doing?
3. What is the process of deregulation?
4. What three roles does the government play in a market system?
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   2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
5. How are consumers impacted by increased regulation?
6. How are companies impacted by deregulation?

***SSEF6 Explain how productivity, economic growth, and future standards of living are influenced by investment in factories, machinery, new technology, and the health, education, and training of people.***

1. What does it mean to be productive?
2. What is investment?
3. If you wanted future growth, should you invest in capitol or consumer goods?
4. What is Human Capitol?
5. What is Physical Capitol?
6. What does the Standard of living measure?
7. What does the PPC curve show us?
8. Draw a PPC curve. On the curve draw a point that is efficient, inefficient, and impossible.
9. What would cause the line to shift?

**Unit 2- Microeconomics**

***SSEMI1 Describe how households and businesses are interdependent and interact through flows of goods, services, resources, and money.***

1. What are the two main sectors of the economy?
2. What do households need businesses for?
3. What do businesses need households for?
4. What does household income go toward?
5. What does business revenue go toward?
6. What does the Circular Flow Model (CFM) demonstrate?
7. What is the resource, or factor, market?
8. What is the product market?
9. After looking at the CFM, why does each sector depend on one another?
10. Who decides on the questions of production in a market economy?

***SSEMI2 Explain how the law of demand, the law of supply, and prices work to determine production and distribution in a market economy.***

1. What is the definition of demand?
2. What does the law of demand state?
3. What does the law of supply state?
4. What is the market equilibrium?
5. What is the difference between a change in demand versus a change in quantity demanded?
6. What is the difference between a change in supply versus a change in quantity supplied?
7. Where do you find the market clearing price?
8. List the non-price determinants (shifters) of supply and define each one.
9. What impact does input costs have on supply of a good/service?
10. What impact does government regulation and taxes have on supply of a good/service?
11. How do technology investments increase supply?
12. List the non-price determinants (shifters) of demand and define each one.
13. Provide an example of a complementary good.
14. How does the substitution effect impact demand?
15. What impact do changes in consumer income have on demand?
16. What is a government price floor?
17. What is a government price ceiling?
18. What is the result of a price floor?
19. What is the result of a price ceiling?

***SSEMI3 Explain the organization and role of business and analyze the four types of market structures in the U.S. economy.***

1. What are the four market structures in a mixed-market economy?
2. Recreate the market structures chart and include information on number of sellers, barriers to entry, price control, and product differentiation.
3. Who has the most control over the price of their product, and why?
4. Which market is most difficult to enter?
5. What is an example of a modern-day monopoly?
6. What is an example of an oligopoly?
7. What is an example of monopolistic competition?
8. What are the three types of business?
9. Why do corporations typically last longer than sole proprietorships?
10. Which type of business has more liability, and why?

**Unit 3- Macroeconomics**

***SSEMA1 Illustrate the means by which economic activity is measured.***

1. What three sectors of the economy interact with and rely on one another for revenue, goods and services, and factors of production?
2. Why do economists analyze data of economic activity?
3. How do nations measure economic growth?
4. Why do nations want steady growth?
5. What are some things that are associated with economic growth?
6. Which graph do economists use to illustrate economic growth?
7. What does price stability refer to?
8. What is used to measure price changes?
9. How do price predictions impact our personal finances?
10. What does full employment refer to?
11. How does consumer demand impact profits of entrepreneurs?
12. How does consumer demand and profits of entrepreneurs impact government tax revenue?
13. What is included in GDP?
14. What is included in consumer spending?
15. What is included in investment spending?
16. What is included in government spending?
17. How do they calculate net exports?
18. How does the government calculate the unemployment rate?
19. Why is full employment NOT equal to one hundred percent unemployment?
20. What is the acceptable rate of unemployment, or what the government considers full employment?
21. What are the criteria to be considered unemployed?
22. How is CPI calculated?
23. What is inflation?
24. What is deflation?
25. How is the rate of inflation calculated?
26. What do rising price levels typically say about the economy?
27. What is the difference between REAL GDP and NOMINAL GDP?
28. How is REAL GDP calculated?
29. What is aggregate demand?
30. What happens to aggregate demand when interest rates go up?
31. What is aggregate supply?
32. What happens when aggregate demand increases with regard to GDP and prices?
33. What happens when aggregate demand decreases with regard to GDP and prices?
34. What happens when aggregate supply increases with regard to GDP and prices?
35. What happens when aggregate supply decreases with regard to GDP and prices?
36. Who benefits from inflation?
37. Who is hurt by unanticipated inflation?
38. What are the four types of unemployment?
39. Define each type of unemployment and provide an example
40. What does the business cycle illustrate?
41. What do the X and Y axis represent on the business cycle?
42. What are the 4 stages of the business cycle

***SSEMA2 Explain the role and functions of the Federal Reserve System.***

1. What is the central bank of the United States?
2. When was the central bank created?
3. Why was the central bank created by Congress?
4. What are the roles of the Federal Reserve System?
5. What has been used for money in the past societies?
6. What is the term for official money that is used by governments of countries?
7. When does money function effectively?
8. How does money have value?
9. What are the three functions of money?
10. How is money used as a medium of exchange?
11. When does money function as a store of value?
12. Why must money have a unit of account?
13. Is the Federal Reserve a public (government) institution or a private bank?
14. How many Federal Reserve banks are there across the country?
15. Whose interests are represented by the district banks?
16. How are the board of governors appointed?
17. What is the FOMC?
18. What is the role of the FOMC?
19. Who serves on the FOMC?
20. Who always serves on the FOMC?
21. What are the three goals that the Federal Reserve (Fed) tries to meet?
22. What are the four main tools that the Fed can use to meet their economic goals?
23. Describe the purpose of the reserve requirement.
24. Describe the purpose of the discount rate.
25. Describe the purpose of paying interest on bank reserves.
26. What is the FFR?
27. What impacts the FFR?
28. What happens when the Fed increases the reserve requirement?
29. What effect does increasing the interest rate on reserves have on GDP?
30. What effect does decreasing the interest rate on reserves have on unemployment?
31. What happens when the Fed raises the discount rate?
32. What happens when the Fed lowers the discount rate?
33. What happens when the Fed buys government securities (bonds) on the market?

***SSEMA3 Explain how the government uses fiscal policy to promote price stability, full employment, and economic growth.***

1. What does the government try to achieve with fiscal policies?
2. What is the goal of lowering taxes and increasing government spending? (Expansionary Fiscal Policy)
3. What is the goal of increasing taxes and lowering government spending? (Contractionary Fiscal Policy)
4. How does the government add money to their budget?
5. What are some of the expenses the government has to pay for?
6. What is a budget surplus?
7. What is a budget deficit?
8. What is the difference between debt and deficit?
9. What happens to the debt if interest rates rise?
10. If you own a U.S. bond, then you own a piece of the U.S. \_\_\_\_\_\_\_\_\_\_\_\_.
11. Draw an aggregate demand graph after the government uses contractionary fiscal policy.
12. Draw an aggregate demand graph after the Fed lowers interest rates.

**Unit 4- International Economics**

***SSEIN1 Explain why individuals, businesses, and governments trade goods and services.***

1. What is trade?
2. What is international trade?
3. Why do people or countries trade?
4. Is trade always beneficial?
5. Define absolute advantage.
6. How do countries have an absolute advantage over other countries?
7. Define comparative advantage.
8. How do you express the opportunity cost when solving an input problem of production?
9. What do the ratios represent when solving the comparative advantage?
10. How would you verbalize a ratio for comparative advantage?
11. How is the output method different from the input method when calculating opportunity costs?
12. What should countries do when they have the comparative advantage for producing a good?
13. Why does specialization help grow economies?
14. Define balance of trade.
15. When does a country have a trade surplus?
16. When does a country have a trade deficit?
17. Why might a large trade deficit hurt a nation's economy?

***SSEIN2 Explain why countries sometimes erect trade barriers and sometimes advocate free trade.***

1. What do trade barriers result in?
2. What is meant by free trade?
3. What are the main trade barriers?
4. What are some of the costs and benefits with each trade barrier?
5. What do trading blocs try to achieve?
6. What are some of the major trading blocs around the world?
7. Which trade agreement has the greatest impact on the U.S. and why?
8. Why do some economists and business owners disagree with free trade?

***SSEIN3 Explain how changes in exchange rates can have an impact on the purchasing power of groups in the United States and in other countries.***

1. Define exchange rate.
2. What must you do before you make a transaction in a foreign country?
3. What happens when a currency appreciates?
4. What happens when a currency depreciates?
5. Who benefits from changes in currency values?
6. Who is hurt by changes in currency values?

**Unit 5- Personal Finance**

***SSEPF1 Apply rational decision making to personal spending and saving choices.***

1. What is the rational decision making model?
2. Who determines the criteria for a post high school rational decision making model?
3. What is a budget?
4. What does a budget allow people to do?

***SSEPF2 Explain that banks and other financial institutions are businesses that channel funds from savers to investors.***

1. How are banks like other businesses?
2. How do banks money?
3. What are the four different types of financial institutions?
4. Which of the types is the safest?
5. Which provides the most choices?
6. Which institution is owned and controlled by its members?
7. Who charges the highest interest on loans?
8. What is collateral?
9. What happens when you fail to pay on your pay-day loan?
10. What is interest charged?
11. What is interest earned?
12. What is risk?
13. What is return?
14. What is six different types of investments?
15. How much risk do saving accounts have?
16. How much return to saving accounts have?
17. What determines how much return a CD has?
18. What happens when you take your money out of a CD early?
19. What is the most common type of retirement savings?
20. What is the difference between a ROTH and traditional IRA?
21. If you buy a Treasury Bond, who are you giving money to?
22. What is the risk of Treasury Bonds?
23. What are mutual funds?
24. What makes them less risky than individual stocks?
25. What types of stocks are less risky?
26. What types of stocks are more risky?
27. Why would you invest in a risky stock?

***SSEPF3 Explain how changes in taxation can have an impact on an individual’s spending and saving choices.***

1. What are the three categories of taxes?
2. In a Progressive tax, what happens to the tax when income increases?
3. What is the rationale behind progressive taxes?
4. What happens to the tax rate in a regressive system when income increases?
5. Why are most sales taxes regressive?
6. What is another name for a proportional tax?
7. How much does everyone pay in a proportional tax system?
8. What is a sales tax?
9. What things does a sales not applied to?
10. What is a property tax?
11. What happens when property values rise?
12. What is gentrification?

***SSEPF4 Evaluate the costs and benefits of using credit.***

1. What is credit?
2. What are some purchases that would require a loan?
3. What is credit worthiness?
4. What are the three C’s of Credit?
5. What does a credit report tell you?
6. What does a Credit Score tell someone?
7. What actions help your credit score?
8. What actions hurt your credit score?
9. What is APR?
10. What is the difference between a fixed and variable rate?
11. Which one would you want?
12. What is simple interest?
13. What is compound interest?

***SSEPF5 Describe how insurance and other risk-management strategies protect against financial loss.***

1. What does insurance guard against?
2. What are the five types of insurance?
3. What type of automobile insurance is required?
4. What does health insurance cover?
5. If you don’t get health insurance, what do you have to pay?
6. What does life insurance cover?
7. What is a beneficiary?
8. What provides people with income in case they become injured or are unable to work at a job?
9. What type would you get if you have a child?
10. What are the two types of property insurance?
11. What is the term for the fee you pay to have insurance?
12. What is a deductible?
13. What is the relationship between premiums and deductibles?
14. What does shared liability mean?

***SSEPF6 Describe how the earnings of workers are determined in the marketplace.***

1. What skills are need to be successful in the workplace?
2. What three factors determine a workers wage?
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   2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
   3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. What rule, generally, governs higher wages?