If you come in with this review sheet at least 80% (that’s 68 questions) complete on Thursday 5/12 (7th Period – Friday 5/13), you will earn 5 extra credit points on the final exam.

Chapter 10: Money, Banking and the Federal Reserve System

1. _________________ An economy in which trades are made in terms of goods and services instead of money.
2. _________________ Anything that is generally accepted in exchange for goods and services.
3. _________________ A banking arrangement in which banks hold only a fraction of their deposits and lend out the remainder.
4. _________________ Composed of currency, checking accounts, and traveler’s checks.
5. _________________ When the Fed buys or sells government securities (bonds).
6. _________________ The governing body of the Federal Reserve System.
7. _________________ Total reserves minus required reserves.
8. _________________ The minimum amount of reserves a bank must hold against its checking account deposits, as mandated by the Fed.
9. _________________ The interest rate that one bank charges another bank for a loan.
10. _________________ The interest rate that the Fed charges a bank for a loan.
11. _________________ costs include the time and effort expended to make the trade. (256)
12. When you write a check to pay for clothes at the local mall, you are using money as a _________________ of _________________ . (260)
13. The money creation process takes place when banks loan out their _________________ reserves. (276, 277)
14. If a bank receives a new deposit of $100 and the reserve requirement is 15 percent, the bank must increase _________________ reserves by $15. (280)
15. The job of the U.S. Treasury is to collect _________________ and borrow the money needed to run the _________________ . (281)
16. An open market purchase by the Fed will _________________ (increase or decrease) the money supply. (282)
17. When a bank makes a new loan of $1,000 then the money supply _________________ (increases or decreases) by _________________ (how much?).
18. A tiny economy has the following money in circulation: 25 dimes, 10 nickels, 100 one-dollar bills, 200 five-dollar bills, and 40 twenty-dollar bills. In addition, traveler’s checks equal $500, balances in checking accounts, equal $1,900, and balances in savings accounts equal $2,200. What is the M1 money supply? _________________
19. The Fed conducts an open market purchase and increases the reserves of bank A by $2 million. The reserve requirement is 20%. By how much does the money supply increase? _________________
Chapter 11: Measuring Economic Performance

20. A good measure of a nation’s economic health is the total _______________ of the economy. (286)

21. Chocolate chips made by the Nestlé Company are ____________ goods when your friend Mark buys them to try the recipe on the back. (289)

22. Steel purchased by General Motors would be an example of a(n) ________________ good. (289)

23. ________________ goods and services are not counted in GDP because they are not capable of being counted. (290)

24. If you earn cash every week babysitting, it will be excluded from GDP since it isn’t reported on _________ forms. (290)

25. ________________ goods and services include cooking for your own family and balancing your checkbook and paying family bills. (290, 291)

26. When Canadian citizens purchase American-made DVDs, then for the U.S. economy export spending ___________________ (increases or decreases). (293)

27. ________________ of ____________ in a country cannot be equated with a high GDP alone. (295)

28. The components of ___________ (abbreviation) include consumption, investment, government purchases, and export spending minus import spending. (295)

29. The ______________________ ____________________ index is calculated using thousands of households. (302)

30. Which spending component of GDP is the largest? ______________________________ (exhibit on 295)

31. What happens to GDP if import spending rises and no other spending component of GDP changes? _________________

32. Using the following data, compute the GDP: ______________________________
   Consumption = $3.2 trillion
   Government Purchases = $1.2 trillion
   Export Spending = $1.9 trillion
   Import Spending = $1.8 trillion
   Investment = $1.5 trillion

33. The CPI is 143 in year 1 and 132 in year 2. By what percentage have prices fallen? ____________

34. Use the following data to compute the unemployment rate: ________________
   Total population = 145 million
   Noninstitutional adult civilian population = 135 million
   Persons not in the labor force = 10 million
   Unemployed persons = 7 million

Complete the following table using formulas from Chapter 11. Change decimal answers to percents and round to the nearest tenth of a percent.

<table>
<thead>
<tr>
<th>Year</th>
<th>Noninstitutional Adult Civilian Population</th>
<th>Employed</th>
<th>Unemployed</th>
<th>Civilian Labor Force</th>
<th>Unemployment Rate</th>
<th>Employment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980</td>
<td>50,000</td>
<td>41,235</td>
<td>5,123</td>
<td>46,358</td>
<td>35.</td>
<td>36.</td>
</tr>
<tr>
<td>1990</td>
<td>55,000</td>
<td>37,689</td>
<td>8,459</td>
<td>46,148</td>
<td>37.</td>
<td>38.</td>
</tr>
<tr>
<td>2000</td>
<td>60,000</td>
<td>52,769</td>
<td>4,983</td>
<td>57,752</td>
<td>39.</td>
<td>40.</td>
</tr>
<tr>
<td>2010</td>
<td>65,000</td>
<td>49,357</td>
<td>10,230</td>
<td>59,587</td>
<td>41.</td>
<td>42.</td>
</tr>
</tbody>
</table>

************************************************************************************************************
Chapter 12: Economic Changes and Cycles

43. An increase in the average level of prices is called _______________________. (312)
44. Money’s value ______________________ (increases or decreases) when the price level falls. (313)
45. Inflation generally reduces ________________ power and reduces the ______________ of money. (317)
46. During a recession, consumer spending ____________ (rises or falls). (323)
47. Inflation can be measured by finding the percentage change in the ______________ level of prices. (312, 313)
48. When foreign countries’ economies are doing poorly, then U.S. exports ________________ (increase or decrease). (324)
49. The Rule of 72 is a way to determine the time required for any variable to _______________. (329-330)
50. The ____________________ ____________________ is caused by politics, business investment and changes in the money supply. (325, 326)
51. When businesses decrease production and investment, then firms ____________ (hire or fire) workers. (326)
52. An economy can produce more if there are advances in _____________________, an increase in ____________________ investment and an increase in ________________. (332, 333, 334)
53. Countries with few natural resources can still experience _______________________. (332, 338)
54. How does inflation reduce the value or purchasing power of money?

55. Explain how inflation affects both individuals on fixed incomes and savers.

Chapter 13: Fiscal and Monetary Policy

56. ______________ policy addresses government’s changes in government spending or taxation. (342)
57. The objective of fiscal policy is to ______________ (increase or decrease) total spending and reduce _________________. (342)
58. The global impact of China’s participation in the world market has ________________ (increased or decreased) the possibility of inflation in the United States. (360)
59. The Fed would use ________________ policy when the economy is experiencing unemployment. (346)
60. Contractionary policy by the Fed ________________ (increases or decreases) the money supply. (351)
61. The concept that small changes can be catalysts for huge changes is known as the ________________ effect. (352)
62. Stagflation last appeared in the United States in the _____________ (which decade). (357)
63. If the government purchases more goods and services, it will affect the amount ________________ have to spend, the ________________ rate and the production/output of ________________ firms. (342)
64. If the money supply increases, output of goods and services ________________ (rises or falls) before prices rise. (359)
Chapter 14: Taxes and Spending

65. The largest source of tax revenues for the federal government comes from ___________________ ____________________ tax. (366, 367)

66. The federal budget process begins when a budget is prepared by ___________________________. (380)

67. Corporate income tax is paid on the corporation’s ___________________. (366)

68. When people pay at a higher tax rate as their income levels rise, it is described as a __________________________ income tax. (370)

69. Interest on the national debt is paid by the _______________ government. (377)

70. The federal government spends most of its tax revenue on ____________________ ________________ and _______________ _______________________. (376)

71. A ____________________ federal budget occurs when tax revenues equal government expenditures. Adam Smith would have approved of this and it was an expectation until the time of the Great Depression. (383)

72. The hospital and medical insurance for Social Security beneficiaries is called ____________________. (376, 377)

73. A regressive tax impacts _______________ people more than ______________ people. (372)

74. Spending on ______________________ usually takes the biggest slice of the budget of a state. (378)

75. The gasoline tax is an example of the ____________________-__________________ principle (382)

76. Property tax is a major source of revenue for ____________ and ____________ government. (367)

77. When government __________________ exceeds tax __________________, the difference is a budget deficit. (383)

Listed below are the U.S. tax rates for a single person. Use the table to answer the following questions.

<table>
<thead>
<tr>
<th>Filing Status: Single</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 - $7,825</td>
<td>10%</td>
</tr>
<tr>
<td>$7,825 - $31,850</td>
<td>15%</td>
</tr>
<tr>
<td>$31,850 - $77,100</td>
<td>25%</td>
</tr>
<tr>
<td>$77,100 - $160,850</td>
<td>28%</td>
</tr>
<tr>
<td>$160,850 - $349,700</td>
<td>33%</td>
</tr>
<tr>
<td>$349,700 and up</td>
<td>35%</td>
</tr>
</tbody>
</table>

78. If your taxable income for the year is $80,000, how much income tax do you owe? ________________

79. If your total income for the year is $34,000 and you have $10,000 in tax deductions, how much income tax do you owe? ________________

80. If your taxable income for the year is $54,000 and you have $1,000 in tax credits, how much income tax do you owe? ________________

81. If your total income for the year is $40,000 and you have $10,000 in tax deductions and $1,000 in tax credits, how much income tax do you owe? ________________
In 2008, the earnings limit for Social Security was $102,000 and the Social Security tax rate was 6.2%. Use that information to answer the following questions.

82. If your income is $150,000, how much Social Security tax do you have to pay? ______________
83. If your income is $150,000, what percentage of your income do you pay in Social Security taxes? ______________
84. If your income is $80,000, how much Social Security tax do you have to pay? ______________
85. If your income is $80,000, what percentage of your income do you pay in Social Security taxes? ______________

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**Economics Final Exam – Extra Credit Section**

This section of the FINAL EXAM will be EXTRA CREDIT. I will not be going over the answers in class. If you complete this section and want to check your answers before the test, just ask.

**Chapter 15: International Trade and Economic Development**

- ______________ are goods produced domestically and sold to foreign countries. (394)
- A society benefits from trade because people can ______________, products are ______________ and a wider ______________ of goods become available. (394, 398, 401)
- ______________ are goods produced by foreign countries and sold domestically. (395)
- When a tariff is applied to a good, the price of the good ______________ (increases or decreases). (407)
- The North American Free Trade Agreement (NAFTA) eliminates trade ______________ among the member countries. (413)
- If exchange rates change from 10 Mexican pesos per American dollar to 15 pesos per dollar, the dollar has ______________ (appreciated or depreciated). (418)
- A ________________ balance of trade exists when a country’s exports exceed its imports. (396)
- The ________________ ________________ Market is made up of 25 members as of 2005 that trade among themselves with no restrictions. A tariff imposed on U.S. goods by one member would apply to all members. (413)
- The World Bank and the International Monetary Fund are institutions that ______________ money to the world’s poor and less-developed countries and fund economic development ________________. (413, 414)
- ________________ is the term used to describe work done for a company by employees of an outside company. (402)