Economics Final Exam REVIEW (Part 1)
(Chapters 1-3)

If you come in with this portion of the review sheet at least 80% (that’s 62 out of 78 questions) complete on Wednesday 5/4 (7th Period – Thursday 5/5), you will earn 5 extra credit points on the final exam. You will not earn ANY extra credit if I see you copying answers before class or once class has started.

There will be approximately 110 multiple choice questions (1 point each) and 5 free-response questions (4 points each) on your final exam. Each chapter (Chapters 1-16) will have approximately 5-7 questions. There will be three types of questions on the final. The first will test your standards-based content knowledge. The second will be practical problems that will test your ability to apply what you have learned in this class. The third will be free-response questions that ask you to explain the big key concepts in Economics. This review sheet will help you prepare for all three parts. REMINDER: The final exam is worth 15% of your grade. Due to the large amount of extra credit possible, the grade you earn is the grade that will be recorded – there will be no curve.

Chapter 1: What is Economics?

1. ___________ The condition where wants are greater than the resources available to satisfy those wants.
2. ___________ Things that we desire.
3. ___________ A representation of all the possible combinations of TWO goods that can be produced in a certain period of time.
4. ___________ The most highly valued, or next best, alternative that is forfeited when a choice is made.
5. ___________ The science that studies the choices of people trying to satisfy their wants in a world of scarcity.
6. ___________ The branch of economics that deals with human behavior and choices as they relate to relatives small units.
7. ___________ An explanation of how something works, designed to answer a question that has no obvious answer.
8. ___________ A good that can be touched.
9. ___________ The opposite of #8, typically describes a service.
10. ___________ Another word for dissatisfaction or unhappiness.
11. ___________ To an economist, another word for satisfaction or happiness.
12. ___________ Something that encourages a person to take action.
13. ___________ Produced goods that are used for further production.
14. ___________ People who have a special talent for taking advantage of new business opportunities.
15. Explain this statement: Because scarcity exists, choices must be made.

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16. Why do we have a rationing device?

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17. You attend a public school where there is no charge for admission fees or tuition. Does it follow, then, that you face no opportunity cost in attending school. Explain your answer.

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18. Explain how scarcity is illustrated by a production possibilities frontier.

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19. The owner of a movie theater decides to raise ticket prices from $10 to $12 a ticket. Since he sells an average of 789 tickets a day, he might expect to collect ________ more per day in ticket sales. Why might he be disappointed?

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20. Imagine you decide to go to a concert. A ticket to the concert costs $50. Also, you must take two hours off work, and you earn $10 an hour at work. The opportunity cost of going to the concert is

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21. The owner of a coffee shop decides to raise the price for a cup of coffee from $1 to $1.50. Since he sells an average of 1,234 cups of coffee a day, he might expect to collect $________ more per day in coffee sales.

Look at the production possibilities frontier to the right to answer the next four questions.

22. What are the two products in the example? _________________ and _________________

23. Which point or points are feasible in that economy? _______________

24. Which point represents the maximum production of skis? ____________

25. Which point or points represent what is unavailable to us? ___________

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Chapter 2: Economic Systems and the Global Economy

26. ________________ An economy based on customs and beliefs that have been handed down from one generation to the next.

27. ________________ An economy with a mixture of capitalist and socialist elements.

28. ________________ The way in which a society decided what goods to produce, how to produce them, and for whom they will be produced.

29. ________________ An economic system in which individuals (not government) own most, if not all, the resources and control their use.

30. ________________ An economic system in which government controls and may own many of the resources.

31. ________________ The way all the income earned in a country is divided among different groups of income earners.

32. ________________ A government program specifying economic activities, such as what goods are to be produce and what prices will be charged.

33. ________________ The integration of economic activities across (national) borders; a phenomenon by which economic agents in any given part of the world are affected by event elsewhere in the world; the extension of the division of labor and specialization beyond national borders.

34. ________________ Karl Marx and Adam Smith each had one; a certain way of looking at and explaining the world.
35. __________________________ States that any value in produced goods comes from the labor used to produce those goods.

36. __________________________ Work done for a company by people other than the company’s employees if the people doing the work live in a country other than the country in which the company is located.

37. What are the three economic questions?

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38. Who believed that self-interest causes people to work hard and take risks, that the division of labor creates greater productivity and wealth and that the government should provide national defense, a system of justice and public works?

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39. In a __________________________ (2 words) or ________________ economic system, resources are owned and controlled by private individuals.

40. What book is Adam Smith’s major work related to economics? __________________________

41. What book is Karl Marx’s major work related to economics? __________________________

42. By how much (per year) has globalization affected U.S. income? __________________________

43. Is there greater income inequality in the world today than, say, 100 years ago? Explain.

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44. What are three reasons that workers in other countries don’t work the same number of hours per year as workers in the United States?

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45. Explain how increased globalization might lessen intolerance and conflict in the world.

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Chapter 3: Free Enterprise

46. __________________________ The price of a good times the number of units of the good sold.

47. __________________________ Something that encourages or motivates a person toward an action.

48. __________________________ Principles of right and wrong, morality and immortality, good and bad.

49. __________________________ Any good that is owned by the government.

50. __________________________ A person with a special talent for searching out and taking advantage of new business opportunities, as well as for developing new products and new ways of doing things.

51. __________________________ What a firm incurs if a product’s total cost is greater than total revenue.

52. __________________________ A person who receives the benefits of a good without paying for it. They are one of the reasons why a private business firm will not supply a nonexcludable public good because the firm cannot collect
53. _______________  An agreement between two or more people to do something.
54. _______________  A good of which one person’s consumption does not take away from another person’s consumption.
55. _______________  A computer is an example of this type of good.
56. _______________  A beneficial side effect of an action that is felt by others.
57. What are the five major features of a free enterprise economy?
   ____________________  ____________________  ____________________  ____________________
   ____________________  ____________________
58. National defense is a good example of a _____________________________ because it is difficult to exclude people from receiving the benefits from national defense once it is provided.
59. The government will provide ___________________________ public goods and pay for them with taxes.
60. The _____________________________ states that “private property [shall not] be taken for public use, without just compensation.
61. Entrepreneurs are motivated by potential __________________________. 
62. Open disclosure, obeying the law and being truthful are all responsibilities of people in a ___________________________ economy.
63. Define open disclosure.
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64. Calculate the profit or loss in each of the following situations (TR stands for total revenue, and TC stands for total cost). Be sure to put a minus (-) in front of a loss figure.
   • TR = $400; TC = $322  Profit/Loss = ________________
   • TR = $4,323; TC = $4,555  Profit/Loss = ________________
   • TR = $576; TC = $890  Profit/Loss = ________________
   • TR = $899,765, TC = $456,897 Profit/Loss = ________________
65. An economist would say that profit attracts resources. What does this statement mean? Give an example to illustrate your point.
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Scenario: Bryan sells gadgets at a price of $7 apiece. His average cost is $5 per gadget. On Monday, Bryan sold 10 gadgets; on Tuesday, he sold 7 gadgets; on Wednesday, he sold 9 gadgets; on Thursday, he sold 11 gadgets; and on Friday, he sold 13 gadgets.
66. What was Bryan’s total revenue for the week? ________________
67. What was Bryan’s total cost for the week? ________________
68. Did Bryan have a profit or a loss for the week? ________________
69. What was the dollar amount of Bryan’s profit or loss for the week? ________________
In questions 70-78, identify the part of the circular flow diagram in which the economic activity listed occurs. Write 1, 2, 3 or 4 in the blanks provided.

70. _____ Julie attends a public school.
71. _____ Travis buys a new iPod.
72. _____ Joe works 20 hours a week at Jack in the Box.
73. _____ Monique does research at a large corporation.
74. _____ Microsoft relies on the Justice Department to enforce copyright laws.
75. _____ Dianne drives on County Road 1 to get to work.
76. _____ Bruce leases his commercial building to Widgets, Inc.
77. _____ Debbie buys a computer from her local office supply store.
78. _____ Adam buys a lawn mower from Home Depot.