**Economics Final Exam Review**

The following is a list of terms and concepts from the units we covered this semester. To prepare for the exam, create a “cheat sheet” on an 81/2 x 11 sheet of paper. You may use both sides of the paper. ***The “cheat sheet” must be in your own handwriting – you may not use the computer.*** The “cheat sheet” is the review – do not do a separate review, unless you really, really want to!

*Please note*: most are **NOT** simple definitions, but complex concepts! Use your notes from class, the powerpoints on my website, and the textbook (relevant chapters noted.) Make sure that you have properly labeled graphs! You will be allowed to use your “cheat sheet” on the exam, and up to ten points will be also be added to your exam grade if it is complete.

***Unit I – Basic Concepts (Ch. 1-3)***

1. Scarcity – “The Economizing Problem” – explain how it is the basis of economics
2. Cost-benefit analysis – explain and give examples
3. TINSTAAFL – what is it, and what concept does it illustrate?
4. Microeconomics v. Macroeconomics – what’s the difference?
5. Economics Resources: property – capital and land,

(give examples) human – labor and entrepreneurship

1. Economic efficiency – productive, allocative (explain)
2. Paradox of Value – describe, use an example
3. Production Possibilities Frontier – draw and label points inside, on, and outside, and show economic growth
4. Opportunity cost and trade-offs - define and give examples
5. Economic investment – define and explain it’s importance
6. Economic Systems: Command, market, traditional – describe, and give advantages and disadvantages
7. The three basic questions – what are they and why are they important?
8. “Invisible Hand” – Adam Smith – who is he, and what was his theory?
9. Circular Flow Diagram – draw and label

***Unit II – Markets (Ch. 5-6)***

1. **Demand** – law of, income effect and substitution effect, changes in quantity demanded and demand, determinants of demand, normal v. inferior goods, price elasticity of demand
2. **Supply** – law of, changes in quantity supplied and supply, determinants of supply
3. **Prices** – market, equilibrium price and quantity, surpluses and shortages, changes in S & D and effect on equilibrium price and quantity, price floors and ceilings

**Draw graphs!!!**

***Unit III – Businesses, Market Structure and Wages (Ch. 9 and 7)***

1. The four market structure models – characteristics and examples
2. Market failure – positive and negative externalities (spillovers)
3. Define industry, plant, firm
4. Sole-proprietorship, partnership, corporations - define, advantages, disadvantages
5. Stocks, bonds
6. Mergers – vertical, horizontal
7. Conglomerates and multinationals

***Unit IV – Taxes and Government Spending (Ch. 11-12)***

1. Incidence of a tax – who bears the burden of taxes?
2. Ability-to-pay and benefits received principles – explain and give examples
3. Transfer payments, mandatory spending, entitlement programs - define
4. Types of taxes (regressive, progressive, proportional) with examples
5. Categories of taxes (personal income, FICA, etc.)
6. Categories of government spending at all levels
7. Fiscal federalism – define and explain
8. The budget deficit and the national debt – explain the difference, and list potential future problems caused by the debt

***All of the above units will be tested by 75 multiple choice questions on your assigned exam day.***