

Final Exam Review Worksheet

1. The fundamental problem of Economics is
 - a. How to solve income inequality
 - b. The inability to use resources efficiently
 - c. The inability to cooperate
 - d. The inability to satisfy unlimited wants with limited resources
2. Using the following information, calculate GDP

Consumer Goods:	\$6,200
Business Goods:	\$2,300
Government Spending:	\$1,020
Imports:	\$800
Exports:	\$300

 - a. \$10,020
 - b. \$9,020
 - c. \$8,020
 - d. \$9,080
3. Who assumes the risks and uncertainties of owning a business?
 - a. Consumers
 - b. The invisible hand
 - c. The government
 - d. Entrepreneurs
4. The two forces in Adam Smith's "invisible hand" are
 - a. Self-interest and competition
 - b. Efficiency and competition
 - c. efficiency and self-interest
 - d. competition and specialization
5. The three basic questions that every society has to answer are...
6. Which of these best describes what would happen if there were a shortage
 - a. Quantity demanded will be greater than quantity supplied
 - b. Quantity supplied will be greater than quantity demanded
 - c. Prices will decrease
 - d. There will be excess supply
7. If there is a surplus
 - a. Quantity demanded will be greater than quantity supplied
 - b. Quantity supplied will be greater than quantity demanded
 - c. Prices will increase
 - d. There will be a shortage
8. What is the **most important** goal of "tight" money policy?

- a. Decrease inflation
 - b. Increase credit
 - c. Increase economic growth
 - d. Lower interest rates
9. Which of these assets is the **most** liquid?
- a. Money in a CD
 - b. A savings bond
 - c. Money in a savings account
 - d. A car
10. A market structure dominated by a few large firms
- a. Perfect competition
 - b. Monopolistic Competition
 - c. Oligopoly
 - d. Monopoly
11. Which of the following would cause demand to shift to the **right**?
- a. A decrease in population
 - b. A good ad campaign
 - c. An increase in the price of a complement
 - d. A decrease in the cost of production
12. The government providing unemployment benefits is an example of what government role?
- a. Redistribution of income
 - b. Solving the free-rider problem
 - c. Correcting externalities
 - d. Monetary Policy
13. To reduce debt, the government could
- a. Cut taxes
 - b. Cut Spending
 - c. Raise taxes and/or cut spending
 - d. Cut taxes and/or raise spending
14. The Federal Government's use of taxes and spending to influence the economy is...
15. The Federal Reserve does all of the following EXCEPT for
- a. Regulating banking
 - b. Fiscal Policy
 - c. Monetary Policy
 - d. Providing financial services