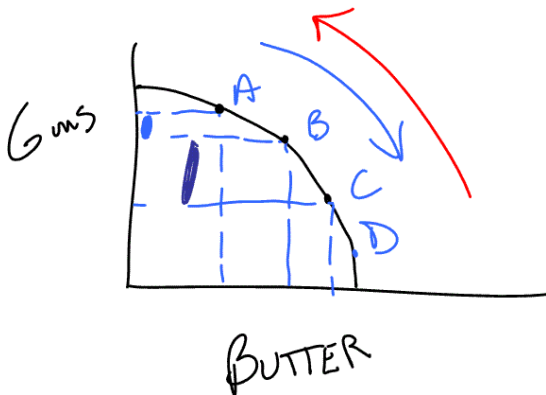


Review for Economics..

Unit 1 Basic Concepts

- Factors of Production (Land, Labor, Capital [Tools, machinery, Equipment, factories], Entrepreneurship)
- Scarcity
- Trade-Offs & Opportunity Costs
- Production Possibility Curve (PPC)Increasing Cost (concave from origin) and Constant Cost (linear)



- Marginal Cost/Marginal Benefit
- Marginal Decision making
- 7 Main Goals of an Economy: Economic Growth (GDP), Price Stability, Full Employment, Economic: Freedom, Efficiency, Equity, & Security
- Circular Flow

Unit 2 Economic Systems

- Traditional, Market (Adam Smith, "Invisible Hand"), Command, & Mixed
- What? How? & Who?
- Consumer Price Index (CPI).....measures the change in price levels from one time to another

Unit 3 Supply & Demand

- "Ceteris Paribus"
- Law of Demand

- Complementary & Substitute Goods
- Reasons why Demand is downsloping: Substitution Effect, Income Effect, & Law of Diminishing Marginal Utility.
- Demand Determinants: (things that move the Demand Curve)
- Change in Demand vs. change in Quantity Demanded
- Market Equilibrium (Market Clearing Price).....Balance
- Subsidies
- Price Ceilings (ex. Rent control)-----→shortages
- Price Floors (ex. Minimum Wage) -----→ surpluses
- Elasticity.....the flatter the curve, the more elastic
- Total Revenue Test
- Normal and Inferior Goods

Unit 4 Business Organizations

- Sole Proprietorships
- Partnerships
- Franchises
- Limited Liability Corporation or Partnership (LLC or LLP)
- Corporations
- Non-Profit Organizations (ex. Red Cross)
- Corporate Structure
- Cooperatives (ex. Ocean Spray)
- Prospectus
- Dividends
- Corporate Combinations, Vertical Integration, Horizontal Integration, & Conglomerate
- IPO

Unit 5 Money, Banking, Federal Reserve

- Characteristics of Money: durability, divisibility, limited supply, acceptability, portability, & uniformity
- 3 main functions of Money: Medium of Exchange, Standard of Value, Store of Value
- Fractional Reserve Banking
- Credit Card vs. Debit Card
- APR
- Fed manages the Money Supply w/ 3 Tools: Reserve Ratio, Discount Rate (interest rate that the Fed charges banks for short term loans), Open Market Operations (buying/selling of government securities)
- Federal Funds Rate (what banks charge other banks for short term loans)
- Prime Rate (what banks charge their best customers)
- Fiscal Policy (taxing & spending)
- Business Cycle (4 parts)
- Inflation/Deflation
- CPI (Consumer Price Index)
- Causes of inflation: growth of Money Supply, excess demand

Unit 6 Financial Markets

- Income & Growth Stocks
- Common Stock & Preferred Stock
- 3 Things that savers consider: Safety, Rate of Return, Liquidity
- Corporate Bonds, Municipal Bonds, Junk Bonds, EE Savings Bonds, Government Treasuries, Mutual Funds (can be both Equity & Bond or a combination), Money Market Funds, CDs
- 3 Components of Corporate Bonds: Coupon Rate, Maturity (length of time), Par Value
- Bond Ratings (Standard & Poor's, Moody's)
- Day trading

- Bull & Bear markets
- S & P 500
- Dividends, Yields
- Capital gains
- **Unit 7 Market Competition**
- Price Discrimination, Cartels (OPEC)
- Economies of Scale (Natural Monopoly, ex. Duke Energy)
- 3 requirements to Price discriminate: Market power, able to separate buyers into different groups, difficult to resell (ex. Movie theater)
- Perfect Competition, Monopolistic Competition, Monopoly, Oligopoly
- Barriers to Entry: (ex. Start-up costs, Technology, Legal Barriers like Patents, Copyrights, zoning laws, licenses, trademarks)
- Price Discrimination: Need to have Market power, ability to separate buyers into groups, difficult or not possible to resell (ex. Movie Theater, Golf course, Airline Ticket)
- Differentiation of products
- Non-Price Competition
Advertising, target audience, 3 main strategies (Slogan, Rational & Emotional)
- Collusion (Ex. Price fixing)
- Price War
- Cartel (ex. OPEC)

Unit 8 Taxes & Government Spending

- 3 Main types of taxes: Progressive (ex. Federal income tax), Proportional, Regressive (ex. Sales tax).....all of these are in relation to income
- Tax burden
- Tax base
- Characteristics of a good tax: Simplicity, Efficiency, Certainty, & Equity
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- Property Tax
- Tax Deduction & Tax Credit
- Discretionary & mandatory spending
- Tariff
- Gift tax & estate tax
- Entitlements: Social Security, Medicare, Medicaid
- Sources of revenue for the state: sales & income taxes

