

Standard

Define

a. Define scarcity as a basic condition that exists when unlimited wants exceed limited productive resources.

1. Scarcity

Fundamental problem; unlimited wants and limited resources to satisfy those wants



Factors of Production

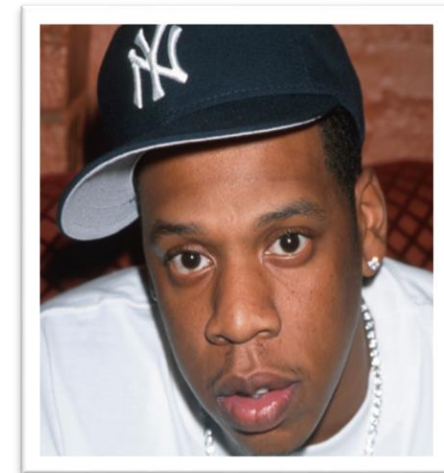
a. Define and give examples of productive resources (factors of production) (e.g., land (natural), labor (human), capital (capital goods), entrepreneurship).

Define the following

1. Land
 - natural resources
2. Labor
 - workers
3. Capital
 - machines
4. Entrepreneur
 - business owners

Provide an example

1. Land
 - Oil, trees, gold, etc.
2. Labor
 - Teacher, police officer, Cashier at wal-mart
3. Capital
 - Computer, factory, robot, etc.
4. Entrepreneur
 - Oprah, Bill Gates, Jay-Z



Factors of Production

Land



+

Capital



+

Labor



+

Entrepreneur



=



Describe Each of the Following Strategies

a. List a variety of strategies for allocating scarce resources.

1. How are resources allocated (what to produce, how to produce, for whom to produce) in a Market Economy?
 - Buyers (demand) and Sellers (supply) decide.
2. How are resources allocated (what to produce, how to produce, for whom to produce) in a Command Economy?
 - The government decides.



Define the Following

a. Define opportunity cost as the next best alternative given up when individuals, businesses, and governments confront scarcity by making choices.

a. Opportunity Cost

The value of the next best use of your resources.

b. Tradeoffs

Giving up one thing to get another.



the marginal costs of an action.

Standard

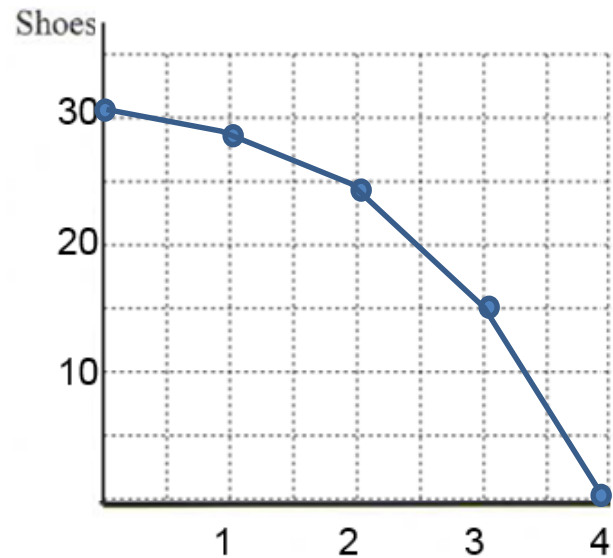
a. Illustrate by means of a production possibilities curve the tradeoffs between two options.

Production Possibilities Frontier

Use the chart to create a PPC to the right.

	A	B	C	D	E
Hats	0	1	2	3	4
Shoes	30	29	25	15	0

Calculate the Opportunity Cost:
A→B: 1
B→C: 4
C→D: 10
D→E: 15

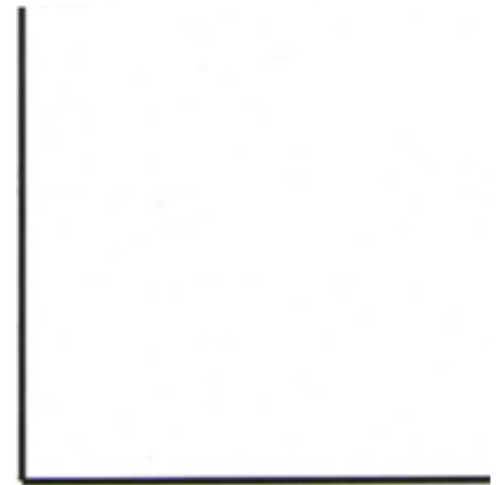
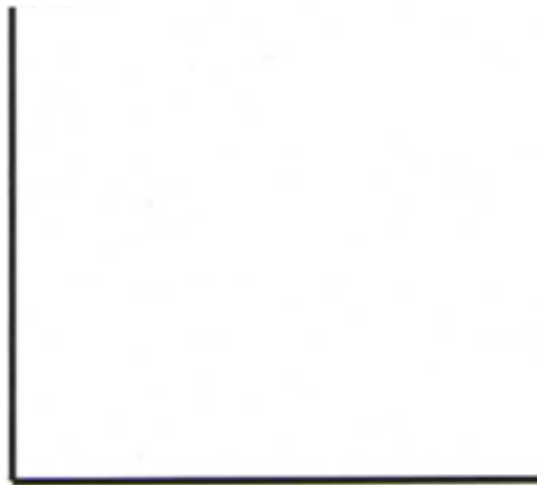
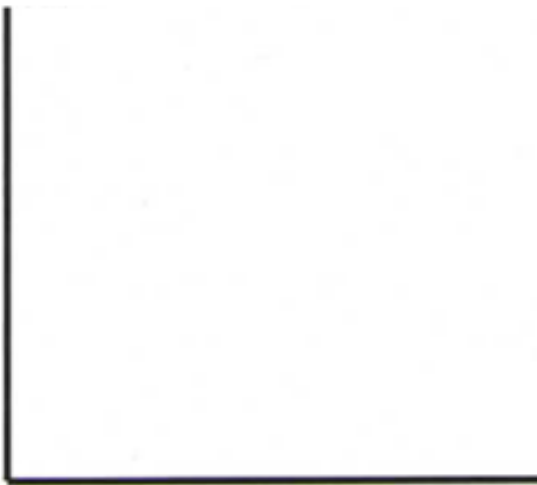


PPF Practice

Draw a typical PPF with a point labeled x to represent an underutilization of resources

Draw a typical PPF with a point labeled y to represent an efficient use of resources

Draw a typical PPF with a point labeled z to represent an unattainable point



Thinking at the Margin

Define

Give an Example

a. Explain that rational decisions occur when the marginal benefits of an action equal or exceed the marginal costs.

1. Margin

- Incremental Unit of Change

2. Thinking at the Margin

- Marginal benefit exceeds the marginal cost

- Slices of pizza, wake up or hit the snooze, study an extra hour or sleep



Slice	Marginal Benefit
1	10
2	9
3	8
4	4
5	2
6	0
7	-2
8	-10

Specialization and Voluntary Exchange

Define

1. Specialization
 - Doing one thing very well; mastering a task.
2. Voluntary Exchange
 - Buyer and seller both benefit from a transaction.

Give an Example

1. Specialization
 - Math teacher, assembly line production, quarterback, etc.
2. Voluntary Exchange
 - Buying gasoline, buyer gets the fuel, seller gets the money

- a. Give examples of how individuals and businesses specialize.
- b. Explain that both parties gain as a result of voluntary, non-fraudulent exchange.



Economic Systems

Define the Following

Example

a. Compare command, market, and mixed economic systems with regard to private ownership, profit motive, consumer sovereignty, competition, and government regulation.

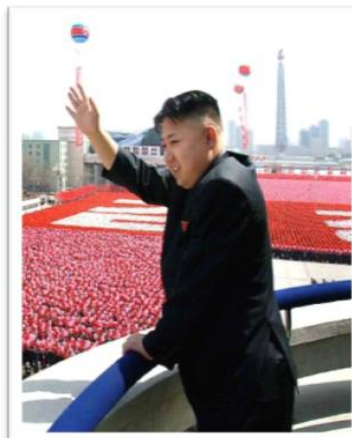
1. Traditional Economy
 - Based on ritual, habit, custom
2. Market Economy
 - Buyers and sellers.
3. Mixed Economy
 - Private markets with government playing a role
4. Command Economy
 - Government controls Economy

1. Traditional Economy
 - Tribes - Pygmies of the Congo, Aborigines of Australia
2. Market Economy
 - Hong Kong, United States
3. Mixed Economy
 - China
4. Command Economy
 - North Korea, Cuba

Traditional



Command



Market



Mixed



Economic Characteristics

Define the Following

1. Private Ownership

- Right to own property



2. Profit Motive

- Motivation to make money



3. Consumer Sovereignty

- Consumer rules, most important in a market economy

4. Competition

- Opposing forces in a market economy



5. Government Regulation

- Government oversight and restrictions in a market

Example

1. Private Ownership

- Business, house, car, etc.

2. Profit Motive

- Working overtime getting paid more, a business is motivated by profit

3. Consumer Sovereignty

- Dollar vote – buy something, tells producer what to produce



4. Competition

- McDonalds and Burger King

5. Government Regulation

- Soda Ban NYC, gun regulations



Economic Goals		
	Define the Following	Example
<p>a. Evaluate how well each type of system answers the three economic questions and meets the broad social and economic goals of freedom, security, equity, growth, efficiency, and stability.</p>	<p>1. Economic Freedom</p> <ul style="list-style-type: none"> Buy and sell freely, enter any profession 	<p>1. Economic Freedom</p> <ul style="list-style-type: none"> Clothing, housing, cars, job choice, etc.
	<p>2. Economic Security</p> <ul style="list-style-type: none"> Government protection in an economy 	<p>2. Economic Security</p> <ul style="list-style-type: none"> Unemployment, Social Security, Medicare, Medicaid
	<p>3. Economic Equity</p> <ul style="list-style-type: none"> Fair work for fair pay 	<p>3. Economic Equity</p> <ul style="list-style-type: none"> Athlete is paid more than a teacher, a teacher more than a cashier
	<p>4. Economic Growth</p> <ul style="list-style-type: none"> Gains in GDP 	<p>4. Economic Growth</p> <ul style="list-style-type: none"> 2004 GDP – 8 Trillion 2014 GDP – 16 Trillion
	<p>5. Economic Efficiency</p> <ul style="list-style-type: none"> Using resources wisely and productively 	<p>5. Economic Efficiency</p> <ul style="list-style-type: none"> Technology, division of labor, specialization
	<p>6. Economic Stability</p> <ul style="list-style-type: none"> Prices do not rise too fast or too slow 	<p>6. Economic Stability</p> <ul style="list-style-type: none"> 2-3% inflation

Economic Characteristics	Command	Market	Mixed
Private Ownership	None	Complete	Some
Profit Motive	None	Complete	Some
Consumer Sovereignty	None	Complete	Some
Competition	None	Complete	Some
Government Regulation	Complete	None	Some
Economic Freedom	None	Complete	Some
Economic Security	Complete	None	Some
Economic Equity	None	Complete	Some
Economic Growth	Slow	Fast	Some
Economic Efficiency	Slow	Important	Some
Economic Stability	Complete	Varies	Some

Specialization and Voluntary Exchange

a. Explain why government provides public goods and services, redistributes income, protects property rights, and resolves market failures.

Define

1. Public Goods and Services
 - Government provided
2. Redistribution of Income
 - Government taxing one group and paying another
3. Property Rights
 - Right to own property
4. Market Failures
 - When the market cannot provide an answer

Give an example of how government provides each of the following

1. Public Goods and Services
 - Education, sewer systems public parks, police, firefighter, etc.
2. Redistribution of Income
 - Welfare, unemployment checks, social security, food stamps
3. Property Rights
 - House, car, business, etc.
4. Market Failures
 - Negative externalities, pollution



Regulation and Deregulation

Define

Give an example of how government regulates and deregulates the economy

a. Give examples of government regulation and deregulation and their effects on consumers and producers.

1. Regulation

- Government control or oversight in a market

2. Deregulation

- Government takes their hand off of a market

1. Regulation

- Automobiles – every car must have a rearview camera by 2018

2. Deregulation

- Legalizing marijuana in Colorado and Oregon



Specialization and Voluntary Exchange

Define

Give an example

a. Define productivity as the relationship of inputs to outputs.

1. Productivity

- Efficiency per worker

2. Inputs

- Used to produce a final good or service

2. Outputs

- Final goods and services sold to the consumer

1. Increases in Productivity

- Technology – internet
- Machines and equipment

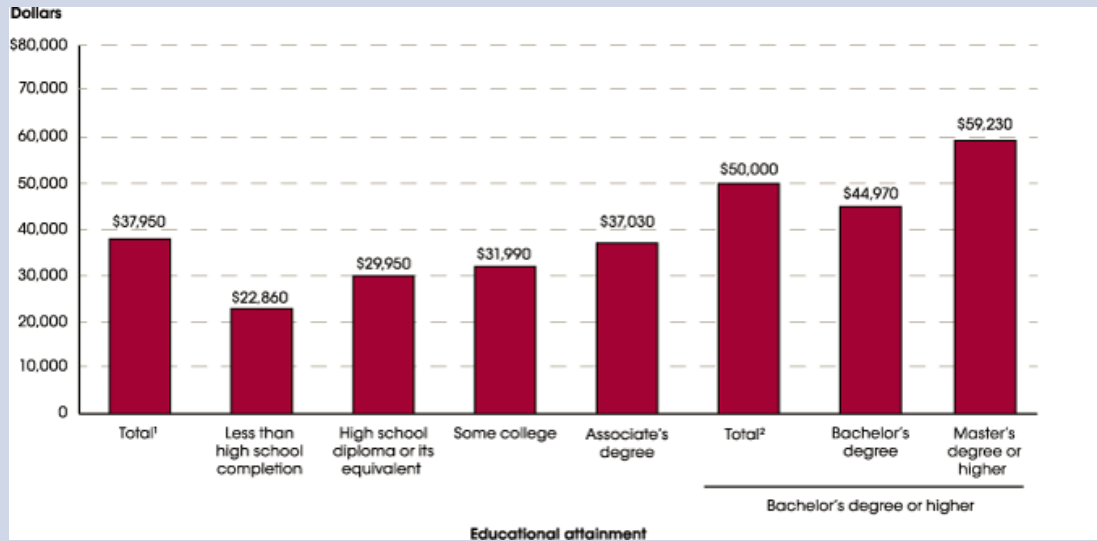


	Define	Give an example of an investment in each of the following
<p>a. Give illustrations of investment in equipment and technology and explain their relationship to economic growth.</p>	<ol style="list-style-type: none"> 1. Human Capital <ul style="list-style-type: none"> • Knowledge, skills and abilities of a worker 2. Physical Capital <ul style="list-style-type: none"> • Machines 	<ol style="list-style-type: none"> 1. Human Capital <ul style="list-style-type: none"> • Education, on the job training 2. Physical Capital <ul style="list-style-type: none"> • Factory, tractor, computer, etc.



Give an example of the average earnings for each of the following

a. Give examples of how investment in education can lead to a higher standard of living.



Less than high school 25,636

High School Diploma \$35,256 Professional degree: \$89,960

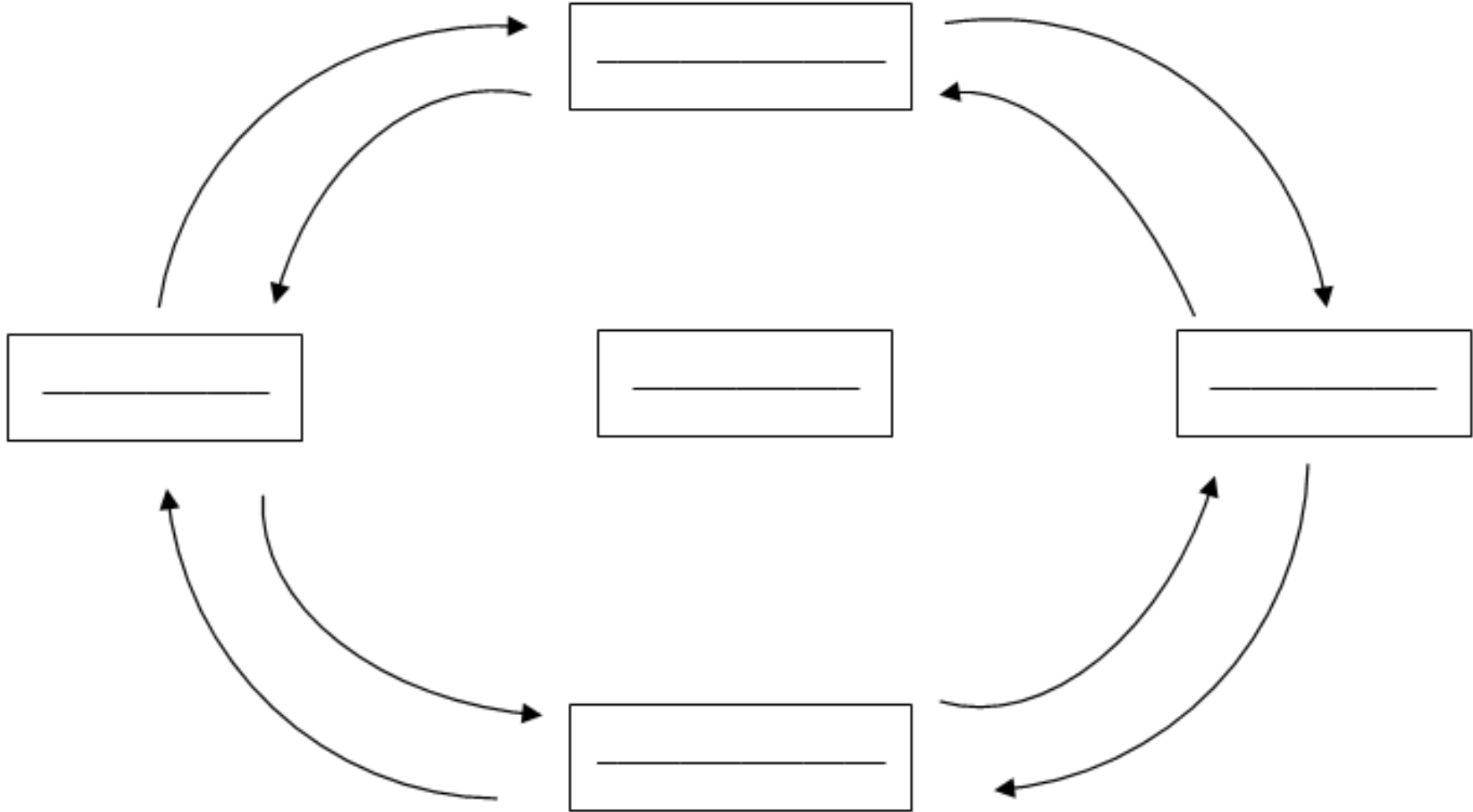
Some College \$38,376 Doctoral degree: \$84,396

Associates Degree \$41,496 *data from 2015

Bachelors Degree \$59,124

Masters Degree or higher \$69,732

Microeconomic Concepts



Define the following

a. Explain the role of money as a medium of exchange, store of value and how it facilitates exchange.

1. Medium of Exchange
 - Buy stuff.
2. Store of Value
 - Save money.
3. Unit of Account
 - Compare Values

Medium of Exchange



Fossil – \$89.95



Bulova – \$399.95



Rolex - \$11,995



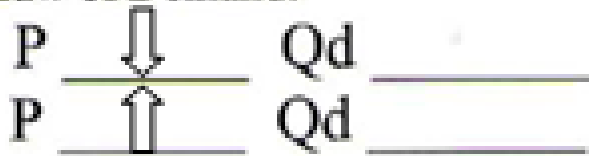
Define the following

a. Define the Law of Supply and the Law of Demand.

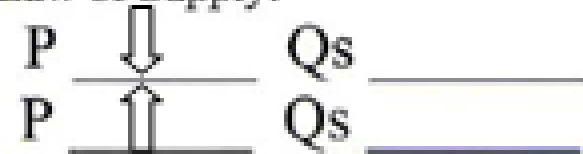
1. Demand
 - Desire, willingness and ability to buy
2. Law of Demand
 - Prices
 - High – buy less
 - Low – buy more

1. Define Supply
 - Production of goods and services
2. Define the Law of Supply
 - Prices
 - High – produce more
 - Low – produce less

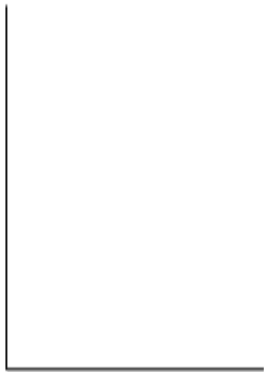
The Law of Demand:



The Law of Supply:



Draw a typical demand curve:



Draw a typical supply curve:



Change in Quantity Demanded and Supplied (Movement Along the curve)

What changes the quantity demanded (causes movement along the curve)?

- Prices

What changes the quantity supplied (causes movement along the curve)?

- Prices

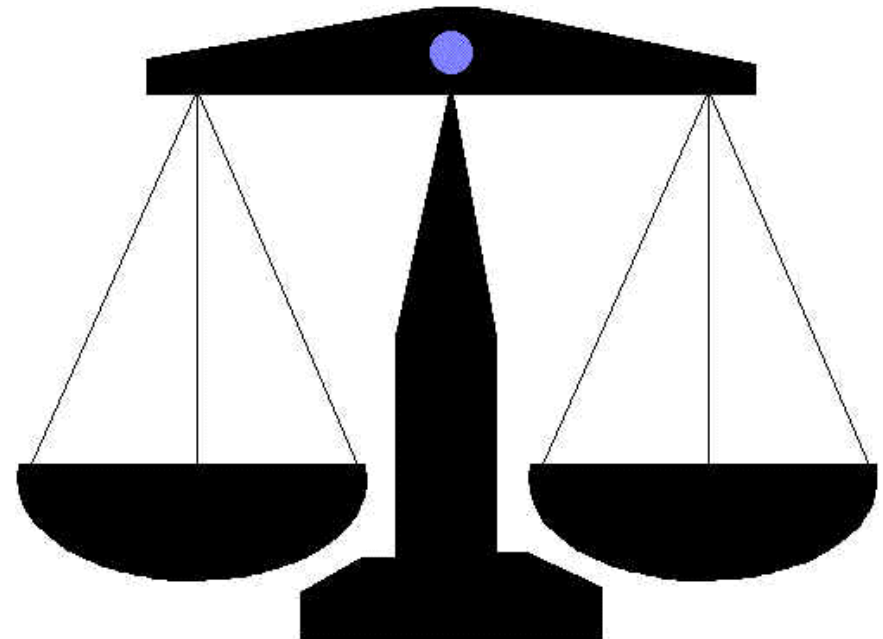
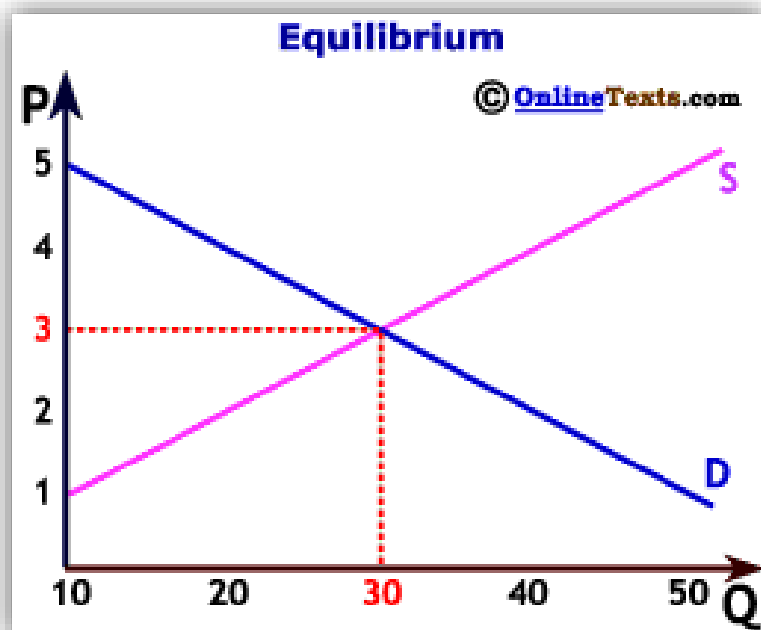
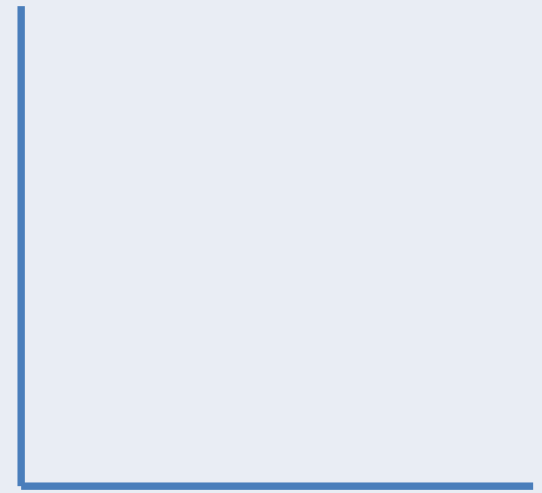
Market Equilibrium

a. Illustrate on a graph how supply and demand determine equilibrium price and quantity.

Define the following

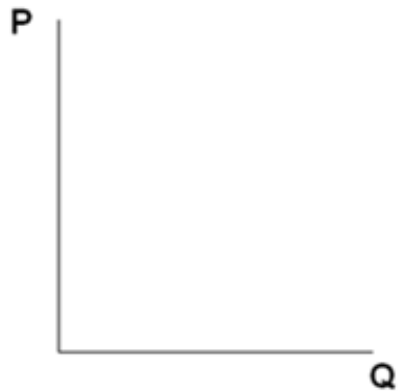
1. Equilibrium point
 - Point of balance
 - $QD = QS$
2. Market Clearing Price
 - Buyer and seller's agreed upon price

Draw a market in equilibrium

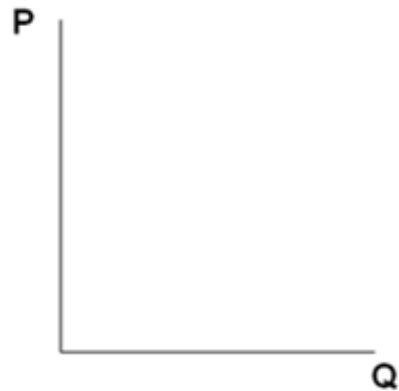


a. Identify and illustrate on a graph factors that cause changes in market supply and demand.

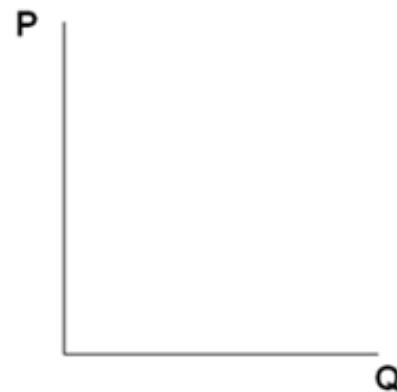
Show a market in equilibrium and then shift the demand curve to the right



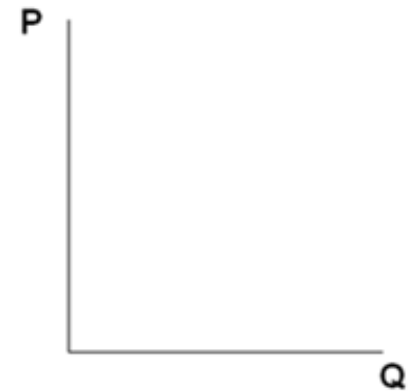
Show a market in equilibrium and then shift the demand curve to the left



Show a market in equilibrium and then shift the supply curve to the right



Show a market in equilibrium and then shift the supply curve to the left



Higher demand leads to _____ price
_____ and
_____ quantity supplied

Lower Demand leads to _____ price
_____ and
_____ quantity supplied

Higher Supply leads to _____ price
_____ and
_____ quantity demanded

Lower Supply leads to _____ price
_____ and
_____ quantity demanded

Change in Demand and Supply (Shifts of the curve)

What are the determinants of demand?
(shifters of demand)

1. Consumer Income
2. Related Products
3. Consumer Tastes
4. Expectations
5. Population

What are the determinants of supply?
(shifters of supply)

1. Input Costs
2. Regulation
3. Taxes
4. Expectations
5. Technology
6. Government Payments (subsidies)
7. Number of Sellers
8. Supply Shock



Substitutes and Compliments

1. Define Substitute
 - Product that replaces another product
 - Coke and Pepsi
2. Define Compliment
 - Product that works well with another product
 - iPhone and Case

Normal and Inferior Goods

1. Define Normal Good
 - Products that we buy when our income is stable
2. Define Inferior Good
 - Products that we buy when our income is low

Substitutes : Price of A \uparrow Demand for B _____
Price of A \downarrow Demand for B _____

Normal Goods: Income \uparrow Demand _____
Income \downarrow Demand _____

Complements: Price of A \uparrow Demand for B _____
Price of A \downarrow Demand for B _____

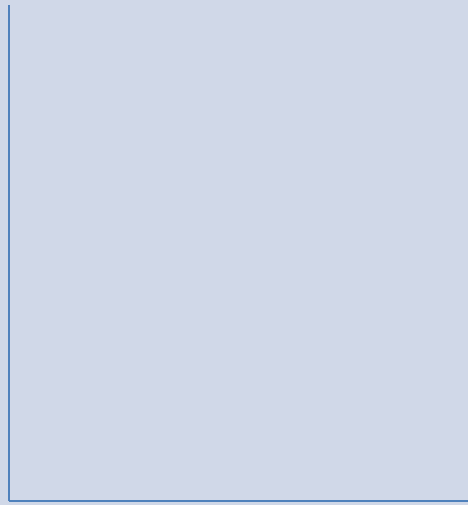
Inferior Goods: Income \uparrow Demand _____
Income \downarrow Demand _____



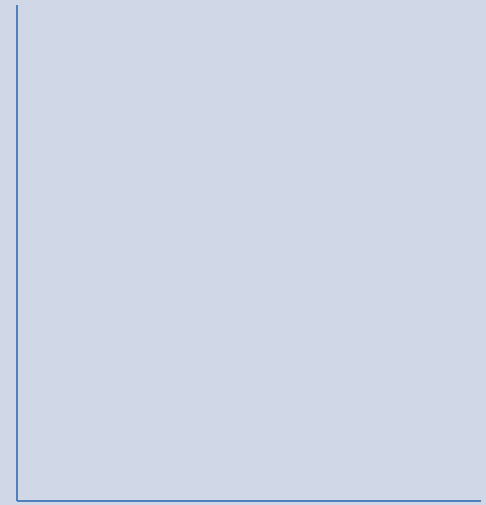
Equilibrium and Disequilibrium

a. Explain and illustrate on a graph how price floors create surpluses and price ceilings create shortages.

Draw a market with a price ceiling:



Draw a market with a price floor:



Equilibrium- Q_d _____ Q_s

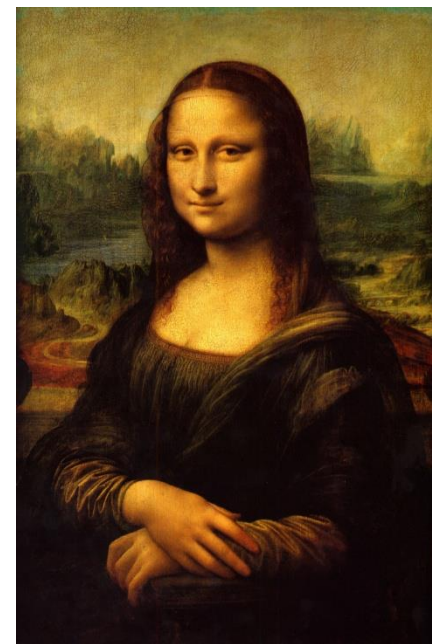
Price FLOORS go _____
equilibrium and result in a _____

Shortage- Q_d _____ Q_s

Price CEILINGS go _____
equilibrium and result in a _____

Surplus- Q_d _____ Q_s

	Define	Examples
<p>a. Define price elasticity of demand and supply.</p>	<ol style="list-style-type: none"> 1. Elasticity of Demand <ul style="list-style-type: none"> • How responsive a buyer is to price change. 2. Elasticity of Supply <ul style="list-style-type: none"> • How responsive a supplier can be to prices. 	<ol style="list-style-type: none"> 1. Product with elastic demand <ul style="list-style-type: none"> • Elastic – Automobiles • Inelastic – Insulin for a diabetic 2. Product with elastic supply <ul style="list-style-type: none"> • Elastic – Haircuts • Inelastic – Mona Lisa



Sole Proprietorship

Partnership

Corporation

a. Compare and contrast three forms of business organization—sole proprietorship, partnership, and corporation.

DESCRIPTION

- One seller
- Advantages – all the profit, no boss
- Disadvantage – unlimited liability



- Two sellers
- Advantages – 2 heads are better than 1
- Disadvantage – arguments



- Shareholders and a board
- Advantages – limited liability
- Disadvantage – loss of ownership (Steve Jobs)



WAL★MART

Coca-Cola

Disney

a. Identify the basic characteristics of monopoly, oligopoly, monopolistic competition, and pure competition.

Market Structure

Write a description of each

Give an example of each in the real world

Monopoly

- One seller



- NFL, Luxxotica



Perfect Competition

- Many sellers (price takers)
- Identical product
- Market price



- Oranges, wheat, stock market



Monopolistic Competition

- Many sellers
- Slightly different products based on brands

- Jeans, fast food



Oligopoly

- 2-3 (small group) sellers



- Auto/Airline industry, Smartphones, Web browsers

Answer each of the following

a. Explain that overall levels of income, employment, and prices are determined by the spending and production decisions of households, businesses, government, and net exports.

1. $GDP = \underline{C} + \underline{I} + \underline{G} + \underline{NX}$
2. What is not included in GDP?
 1. Second Hand Sales
 2. Intermediate Products
 3. Non-Market Transactions
 4. Black Market
 5. Transfer Payments



Consumption



Investment



Government



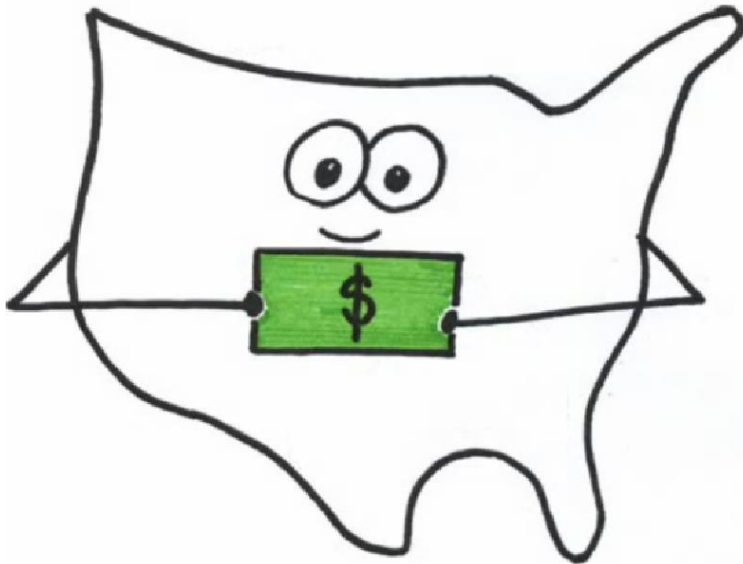
Net Exports

Define each of the following

a. Define Gross Domestic Product (GDP), economic growth, unemployment, Consumer Price Index (CPI), inflation, stagflation, and aggregate supply and aggregate demand.

1. Gross Domestic Product
 - All the stuff we produce
2. Economic Growth
 - Increases in GDP
3. Unemployment
 - People actively looking for a job (4 weeks)
4. Consumer Price Index (CPI)
 - Index that measures inflation
5. Inflation
 - Increases in prices
6. Stagflation
 - Increases in prices with a recession
7. Aggregate Demand
 - Sum of all demand
8. Aggregate Supply
 - Sum of all supply

Economic Growth and Inflation			
a. Explain how economic growth, inflation, and unemployment are calculated.	Write the formula for economic growth	Write the formula for inflation	Write the formula for determining the unemployment rate
	$\frac{\text{GDP CY} - \text{GDP PY}}{\text{GDP PY}} \times 100$	$\frac{\text{CPI Y2} - \text{CPI Y1}}{\text{CPI Y1}} \times 100$	$\frac{\text{Unemployed}}{\text{Labor Force}} \times 100$
	$\frac{18 \text{ Trillion} - 17 \text{ Trillion}}{17 \text{ Trillion}} \times 100$ = 5% Growth	$\frac{255 - 251}{251} \times 100$ = 1.6% Inflation	$\frac{14 \text{ Million}}{300 \text{ Million}} \times 100$ = 4.7%



	Define	Full Employment
a. Identify structural, cyclical, and frictional unemployment	1. Frictional Unemployment Workers in between jobs (moved)	Natural rate of unemployment is from <u>5</u> to <u>6</u> %
	2. Structural Unemployment Jobs are gone permanently	Problems With Unemployment Rate
	3. Cyclical Unemployment Recessions	1. Define Discouraged Workers <ul style="list-style-type: none"> Given up looking
	4. Seasonal Unemployment Change in seasons	2. Define Underemployed Workers <ul style="list-style-type: none"> Overqualified



Frictional



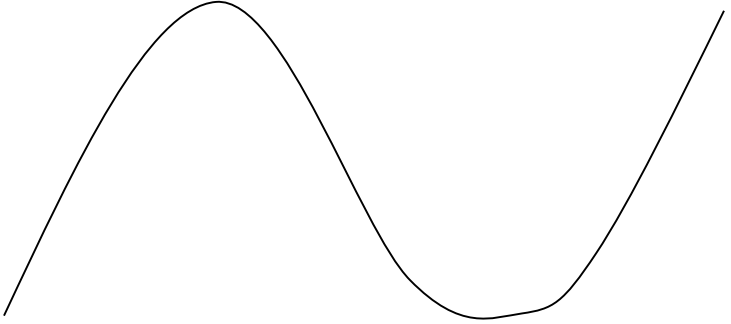
Seasonal



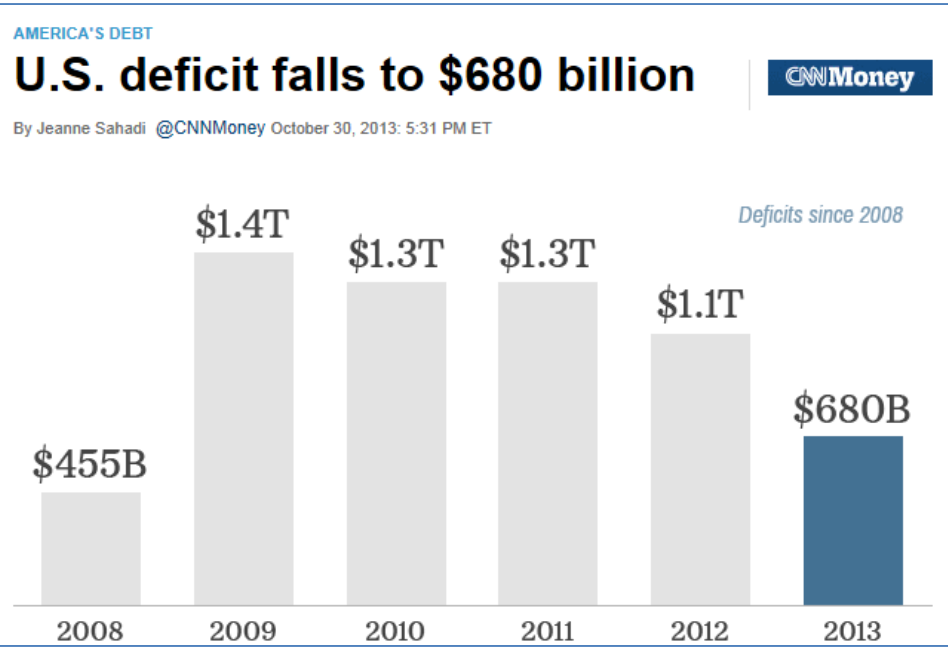
Structural



Cyclical

	Define the following	Business Cycle (Label peak, contraction, trough, recovery, expansion)
<p>a. Define the stages of the business cycle, include peak, contraction, trough, recovery, expansion as well as recession and depression.</p>	<ol style="list-style-type: none">1. Peak<ul style="list-style-type: none">• Highest point (low UR)2. Contraction<ul style="list-style-type: none">• GDP falls (UR rises)3. Trough<ul style="list-style-type: none">• Lowest point (high UR)4. Recovery<ul style="list-style-type: none">• Economy improves (UR falls)5. Expansion<ul style="list-style-type: none">• Normal growth (Normal UR)6. Recession<ul style="list-style-type: none">• 2 quarters of decline7. Depression<ul style="list-style-type: none">• 2 years decline	

<p>a. Describe the difference between the national debt and government deficits.</p>	<p>Define the following</p> <ol style="list-style-type: none"> Budget Deficit <p style="text-align: center;">Government overspends for 1 year (680 Billion)</p> National Debt <p style="text-align: center;">All debt combined (17 Trillion)</p> 	<p>Describe the difference between a deficit and the national debt</p> <ul style="list-style-type: none"> Budget deficit is 1 year national debt is all years of debt.
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1. A recent high school graduate has never searched for a job before. He does not know what he is qualified to do. He turns down a job at a factory, hoping for better-paying work. What kind of unemployment is he experiencing?

A cyclical

B frictional

C structural

D institutional

- Which of the following would MOST likely lead to a period of expansion?
 - A. Countries decide to not purchase United States goods.
 - B. OPEC decides to cut off the US from oil.
 - C. Foreigners do not travel to the US.
 - D. Goods produced by US companies are in high demand from foreign countries.

- Increased productivity of workers will impact the nation's overall
 - A. Money supply
 - B. Interest rates
 - C. Gross domestic product
 - D. Exchange rate

- When consumer's household spending is increasing, which of the following also tends to increase as a result?
 - A. Interest rates
 - B. Money supply
 - C. Employment levels
 - D. The national debt

- Which of the following would be most characteristic of an expansionary period of the business cycle?
 - A. Lower tax revenues
 - B. Increased government rules and regulations
 - C. More employment opportunities
 - D. A falling gross domestic product

- The closing of a major General Motors plant in Detroit, MI caused the unemployment rate to rise from 6% to 7%. More than 3000 jobs were eliminated as the GM plant outsourced jobs to Mexico. What type of unemployment is being addressed in this scenario?
 - A. Cyclical
 - B. Frictional
 - C. Structural
 - D. Seasonal

Federal Reserve

Describe the structure of the Federal Reserve System

- a. Describe the organization of the Federal Reserve System.
1. The Central Bank is located in Washington, DC
 2. There are 12 district banks located throughout the country.

Define

- a. Define monetary policy.
1. Monetary Policy Policies by the Fed to affect the nation's money supply

Describe each of the following

Expansionary Monetary Policy

Contractionary Monetary Policy

- | | | | |
|--|--|--|---|
| <p>a. Describe how the Federal Reserve uses the tools of monetary policy to promote price stability, full employment, and economic growth.</p> | <ol style="list-style-type: none"> 1. Open Market Operations
Buying/selling of bonds 3. Required Reserve Ratio
% of each deposit bank must hold (10%) 4. Interest Rates (Discount and Federal Funds Rate)
Cost of borrowing, gains from saving | <p><u>Buy</u> bonds</p> <p><u>Lower</u> the RRR</p> <p><u>Lower</u> interest rates</p> | <p><u>Sell</u> bonds</p> <p><u>Raise</u> the RRR</p> <p><u>Raise</u> interest rates</p> |
|--|--|--|---|

Write the Money Multiplier Formula

$$MM = \frac{1}{RRR}$$

Answer the following based on the Money Multiplier

Customer Deposits

1. How much could a \$1000 deposit grow to if the RRR is .05?
\$20,000; How much would be added to the Money Supply? \$19,000
2. How much could a \$1000 deposit grow to if the RRR is .10?
\$10,000; How much would be added to the Money Supply? \$9,000
3. How much could a \$1000 deposit grow to if the RRR is .20?
\$5,000; How much would be added to the Money Supply? \$4,000
4. How much could a \$1000 deposit grow to if the RRR is .50?
\$2,000; How much would be added to the Money Supply? \$1,000

Which monetary policy decision is meant to increase the U.S. money supply?

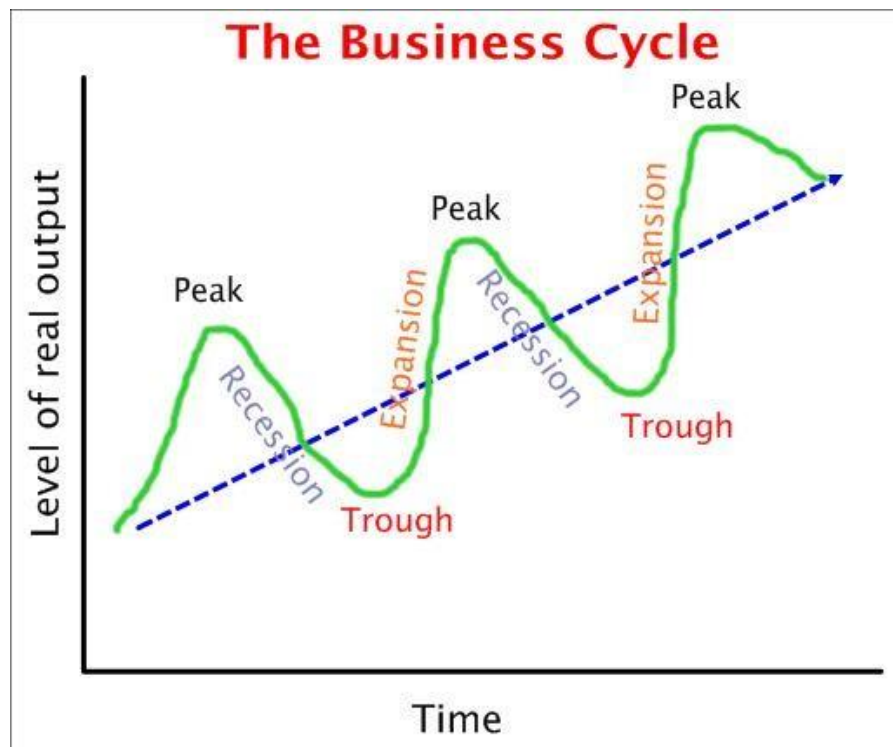
- A Congress passes a bill to reduce personal income taxes.
- B The Federal Reserve buys treasury bonds in the open market.**
- C Congress passes a bill to reduce regulations on business monopolies.
- D The Federal Reserve borrows money from a foreign bank to cover a budget deficit.

- What does the Federal Reserve do if it wants to bring down the unemployment rate and increase the money supply?
 - A. Lowers taxes
 - B. Buys bonds (securities) on the open market
 - C. sells bonds to investment bank
 - D. negotiates international trade policy

- Monetary policy relates to all of the following EXCEPT
 - A. The cost of borrowing money (interest rates)
 - B. How the Federal Reserve adjusts the economy to combat high unemployment
 - C. The amount of money in the economy, which is regulated by the Fed
 - D. Tax and spending policies of the Federal Government

- Why would the Federal Reserve raise the reserve ratio?
 - A. To reduce unemployment
 - B. To reduce inflation
 - C. Stimulate investment spending
 - D. Reduce the cost of borrowing money

	Define		
a. Define fiscal policy.	a. Fiscal Policy Policy that affects taxes or government spending		
	Describe each of the following	Expansionary Fiscal Policy	Contractionary Fiscal Policy
a. Explain the government's taxing and spending decisions.	1. Taxes Required payment to government 2. Government Spending Mandatory or discretionary	<u>Lower</u> taxes <u>Increase</u> spending	<u>Increase</u> taxes <u>Lower</u> spending



When the government increases spending, the price level and employment are MOST LIKELY to change in which of the following ways?

	<u>Price Level</u>	<u>Employment</u>
A	Increase	Increase
B	Increase	Decrease
C	Decrease	Increase
D	Decrease	Decrease

1. Faced with a recession, an appropriate fiscal policy decision by the government would be to do which of the following?

	<u>Taxes</u>	<u>Spending</u>
A.	Increase	Decrease
B.	Increase	increase
C.	Decrease	Increase
D.	Decrease	Decrease



	Define the Following	Examples
<p>a. Define and distinguish between absolute advantage and comparative advantage</p>	<ol style="list-style-type: none"> 1. Absolute Advantage Produce more 2. Comparative Advantage Produce at lower cost 3. Voluntary Exchange Willingly trade 	<ol style="list-style-type: none"> 1. Absolute Advantage United States over Ecuador. 2. Comparative Advantage US – Boeing planes Ecuador - Bananas 3. Voluntary Exchange Imports and Exports



	Sugar (tons)	Cars
Cuba	40	10
Mexico	50	100

- Which country has an absolute advantage?
- Which country has a comparative advantage in cars?
- Which country has a comparative advantage in sugar?

	Define
c. Explain the difference between balance of trade and balance of payments.	<p>Export – A good sold to another country</p> <p>Import – A good purchased from another country</p> <p>Net Exports – Exports minus imports (x-m)</p> <p>Trade Deficit – Buy more than you sell (US)</p> <p>Trade Surplus – Sell more than you buy (China)</p> <p>Balanced Trade – Exports equal to imports</p>

The calculation of a country's balance of trade involves the value of its

- A** exports and imports
- B** net exports and gross domestic product
- C** foreign exchange rate and discount rate
- D** foreign investments and investments by foreigners

•Comparative advantage is most closely associated with which of the following terms?

- 1.Trade deficit
- 2.Specialization
- 3.Trade war
- 4.Comparative struggle

<p>a. Define trade barriers as tariffs, quotas, embargoes, standards, and subsidies.</p>	<p>Define the following</p> <ol style="list-style-type: none"><li data-bbox="415 71 1120 257">1. Trade barrier A policy that restricts trade<ul style="list-style-type: none">• Protectionism – buy US products<li data-bbox="415 357 927 485">2. Tariff A tax on imported goods<li data-bbox="415 571 1120 699">3. Quotas Limit on exported/imported goods<li data-bbox="415 714 1564 871">4. Embargo A complete barrier to trade with another country (Cuba)<li data-bbox="415 928 1120 1056">5. Standards Safety standards on imported goods
--	---

	Describe	Describe
a. Identify costs and benefits of trade barriers over time.	<p>Cost of trade barriers</p> <p>Higher prices, less produced</p> <p>- Sugar, average person pays \$10 more per year</p>	<p>Benefit of trade barriers</p> <p>Lower prices, more produced</p> <p>- Chinese production of the iPhone</p>

Describe the following examples of trade barriers

a. List specific examples of trade barriers.

1. 2002 US Tariffs on Steel

Protect domestic steel producers from cheap steel imports

2. US Embargo against Cuba

Disagreed with political ideology (communism)

Describe each of the following

a. List specific examples of trading blocks such as the EU, NAFTA, and ASEAN.

1. European Union (EU)

28 countries in Europe

2. North American Free Trade Agreement (NAFTA)

Mexico, US and Canada

3. Association of Southeastern Asian Nations (ASEAN)

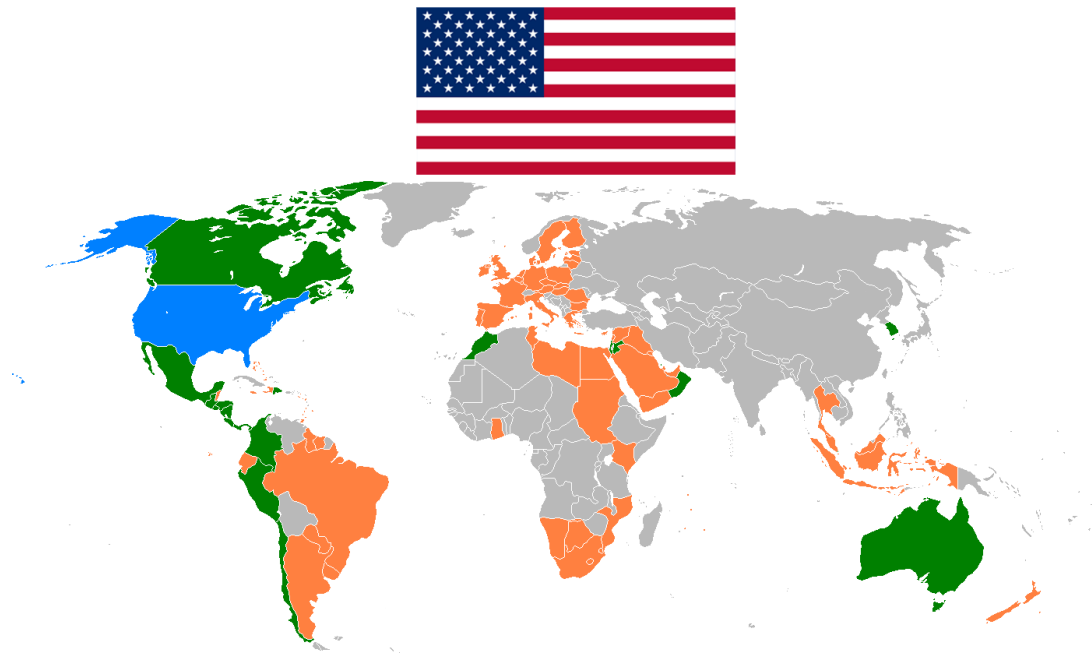
Ten countries in Southeast Asia



European Union



	Arguments for free trade	Arguments against free trade
a. Evaluate arguments for and against free trade.	<p>1. Free trade</p> <p>Lower prices and higher productivity.</p>	<p>1. Protecting infant industries</p> <p>Allows new industries to develop.</p> <p>2. Protecting national security</p> <p>Prevents reverse engineering (stealing technology)</p> <p>3. Protecting domestic employment</p> <p>Keeps jobs within a country</p>



Which statement BEST supports the argument that countries should engage in free trade?

- A** Free trade encourages less wealthy countries to develop mixed market economies.
- B** Free trade eliminates the need for exporters to pursue greater comparative advantages.
- C** Free trade eliminates the need for importers to rely on absolute advantages.
- D** Free trade encourages countries to allocate their resources more efficiently.

Define

a. Define exchange rate as the price of one nation's currency in terms of another nation's currency.

Exchange Rate

- Price of one currency to another

Dollar to the Euro

1 dollar = .72 Euro

1 US Dollar equals

0.72 Euro

US Dollar

Euro

U.S. Dollar, end of Year 1

	One U.S. dollar	in U.S. dollars
British pound	0.49	2.06
Danish krone	5.17	0.19
Euro	0.69	1.44
Japanese yen	114.69	0.0087
Mexican peso	10.71	0.093
Swiss franc	1.17	0.86
Thai baht	31.7	0.03

1. How much does a US dollar cost in Yen?
114.69 yen
2. How many dollars does it take to purchase a Thai Baht? \$.03
3. How many pounds would it take to buy a \$10 meal in the US? 4.85 pounds
4. How many dollars will it take to buy a 15 euro train ticket? \$21.74

U.S. Dollar, end of Year 1

	One U.S. dollar	in U.S. dollars
British pound	0.49	2.06
Danish krone	5.17	0.19
Euro	0.69	1.44
Japanese yen	114.69	0.0087
Mexican peso	10.71	0.093
Swiss franc	1.17	0.86
Thai baht	31.7	0.03

U.S. Dollar, end of Year 2

	One U.S. dollar	in U.S. dollars
British pound	0.52	1.92
Danish krone	4.83	0.21
Euro	0.67	1.49
Japanese yen	121.3	0.0082
Mexican peso	15.02	0.067
Swiss franc	1.06	0.94
Thai baht	36.8	0.027

- Did the pound appreciate or depreciate from year 1 to year 2?
- Would US products become more or less expensive for a British citizen from year 1 to year 2?
- Did the dollar appreciate or depreciate to the Euro from year 1 to year 2?
- Would European products become more or less expensive for a US citizen from year 1 to year 2?

Use this table to answer the question.

**Average Annual Exchange Rate of
\$1 U.S. to the European Euro**

Year	Exchange Rate
2000	1.87
2001	1.63
2002	1.47
2003	1.34

Based on the table, which development MOST LIKELY occurred between 2000 and 2003?

- A** The United States increased tariffs on European nations that used the euro in international trade.
- B** The United States increased its money supply to encourage the export of goods to nations that used the European euro.
- C** U.S. exporters found it increasingly difficult to find markets in nations that used the European euro.
- D** European consumers who used the euro purchased U.S. exports at increasingly lower prices.

- Fluctuations in exchange rates between countries MOST directly relate to the
 - A. need for government regulation
 - B. marginal cost of business
 - C. value of imports and exports
 - D. principle of consumer sovereignty

- Trade embargoes, such as between the US and Cuba are generally a result of
 - A. Comparative advantage
 - B. Exchange rate changes
 - C. Poor relations between countries
 - D. Varying currencies

Answer the following questions

a. Explain that people respond to positive and negative incentives in predictable ways.

1. Why would the US government place a high excise tax on cigarettes?

Negative incentive – stop smoking

2. Why would the US government offer tax breaks for education expenses?

Positive Incentive – promote education



	YOUR GROCERY BILL	fuelperks!	+	bonus!	=	SAVINGS PER GALLON
WEEK 1	\$150	15¢	+	40¢	=	\$0.55
WEEK 2	\$80	5¢	+	30¢	=	\$0.35
	<small>Earned \$30 towards your next threshold.</small>					
WEEK 3	\$115	10¢	+	70¢	=	\$0.80
TOTAL SAVINGS PER GALLON						\$1.70

	Immediate Financial Benefits	Long-Term Financial Benefits	Increased Human Capital	High Standard of Living
Go to College	No	Yes	Yes	Yes
Get a Job	Yes	No	No	No

What decision should you make based on the above grid? Go to College














<i>Balance</i>	\$5000			
<i>Interest Rate</i>	8%			
Alice			Bob	
Year 1	\$5,400		Year 1	\$0
Year 2	\$10,832		Year 2	\$0
Year 3	\$16,699		Year 3	\$0
Year 4	\$23,034		Year 4	\$0
Year 5	\$29,877		Year 5	\$0
Year 6	\$37,267		Year 6	\$0
Year 7	\$45,249		Year 7	\$0
Year 8	\$53,869		Year 8	\$0
Year 9	\$63,178		Year 9	\$0
Year 10	\$73,232		Year 10	\$0
Year 11	\$79,091		Year 11	\$5,400
Year 15	\$107,602		Year 15	\$29,877
Year 20	\$158,103		Year 20	\$73,232
Year 25	\$232,306		Year 25	\$136,935
Year 30	\$341,333		Year 30	\$230,536
Year 35	\$501,530		Year 35	\$368,066
Year 40	\$736,913		Year 40	\$570,143

Based on the above table, which individual will reach financial security at a faster rate?

Alice

1. Which bank offers the best rate?

•Chase Slate

Credit Card	Annual Fee	Introductory APRs	Ongoing APRs	*True Interest Cost 
 <p>Chase Slate® ★★★★☆ (47) Show Details</p>	SO	0% Introductory APR for 15 months on purchases and balance transfers. After the introductory period ends, a variable APR of 12.99%, 17.99%, or 22.99%.	12.99%, 17.99%, or 22.99% (V)	<p>6.75% </p> <p>Apply Now </p> <p>on Chase's secure website</p>
 <p>Union Bank Platinum Edition Visa Card ☆☆☆☆☆ (0) Show Details</p>	SO	<p>Purchase: 0% for 12 mos</p> <p>Balance Transfer: 0% for 12 mos</p>	<p>Min APR: 9.99%</p> <p>Max APR: 17.99%</p> <p>Penalty APR: 29.99%</p> <p>Cash Adv: 25.24%</p>	<p>7.50% </p> <p>Apply Now </p> <p>on Union Bank's secure website</p>
 <p>Bremer Bank Platinum ☆☆☆☆☆ (0) Show Details</p>	SO	<p>Purchase: 0% for 12 mos</p> <p>Balance Transfer: 0% for 12 mos</p>	<p>Min APR: 9.99%</p> <p>Max APR: 20.99%</p> <p>Cash Adv: 23.99%</p>	<p>7.75% </p> <p>Apply Now </p> <p>on Bremer Bank's secure website</p>
 <p>BankAmericard® Visa® Card ★★★★☆ (90) Show Details</p>	SO	0%* on purchases for 15 billing cycles* and 0%* on balance transfers for 15 billing	10.99% - 20.99% Variable* on purchases & balance transfers	<p>7.87% </p> <p>Apply Now </p>

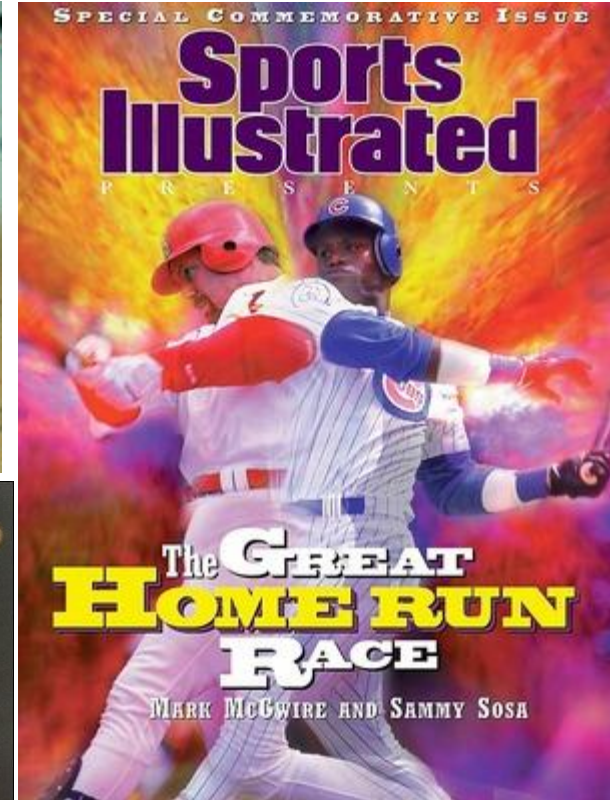
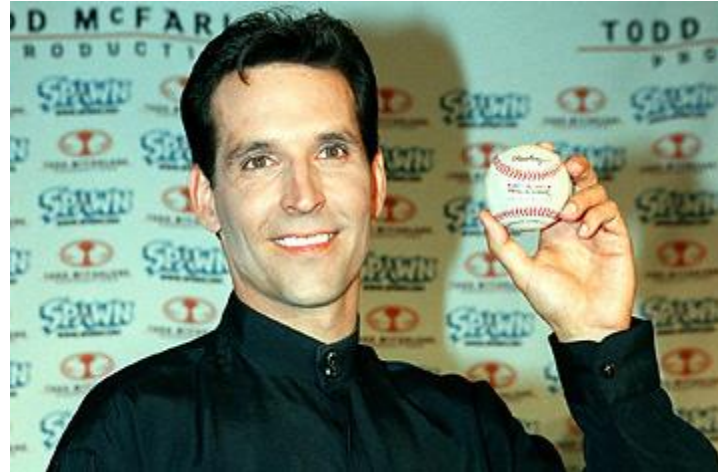
Answer the following questions

a. Explain reasons for the spread between interest charged and interest earned.

1. If you put your money in the bank, what is the bank going to do with your money?
•Loan it out
2. If individuals put money into respective banks and receive a rate of interest, how do the banks make a profit?
•Charge higher interest than they pay
3. If a bank offers an individual 3% on their savings account. How much must they charge in order to make a profit? •More than 3%



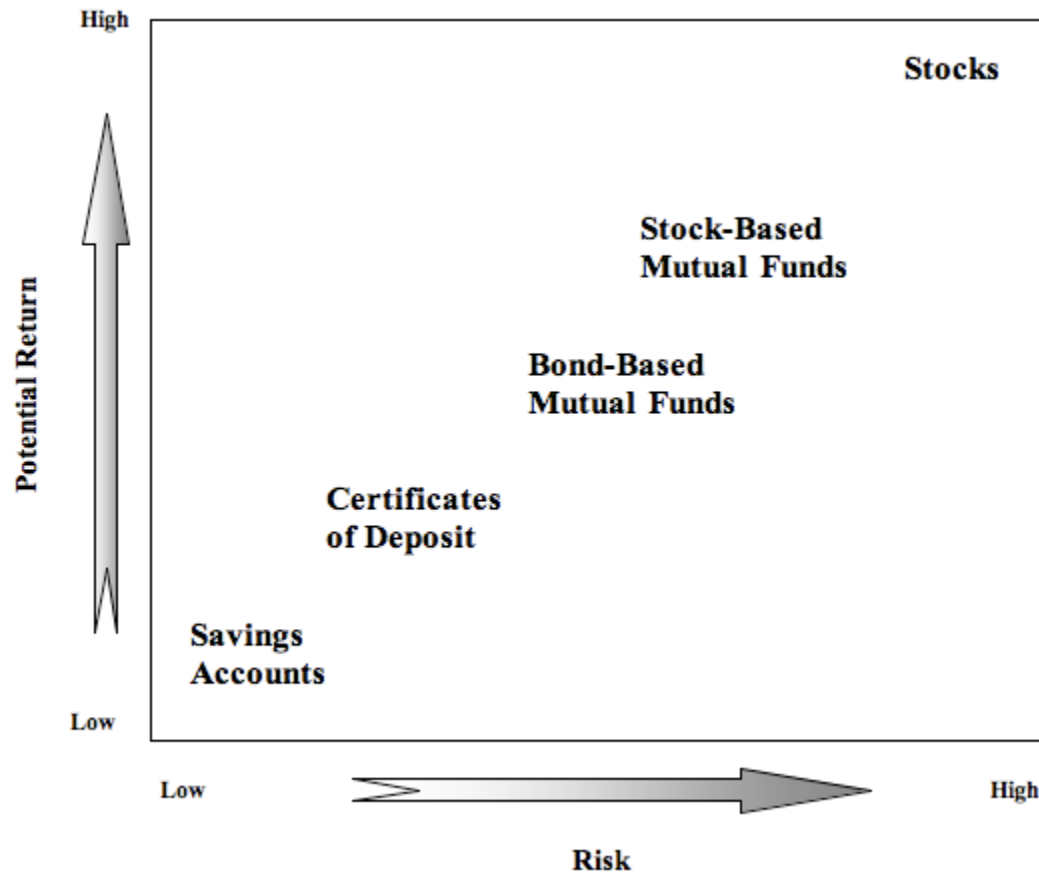
Risk and Return



Describe the following

a. Give examples of the direct relationship between risk and return.

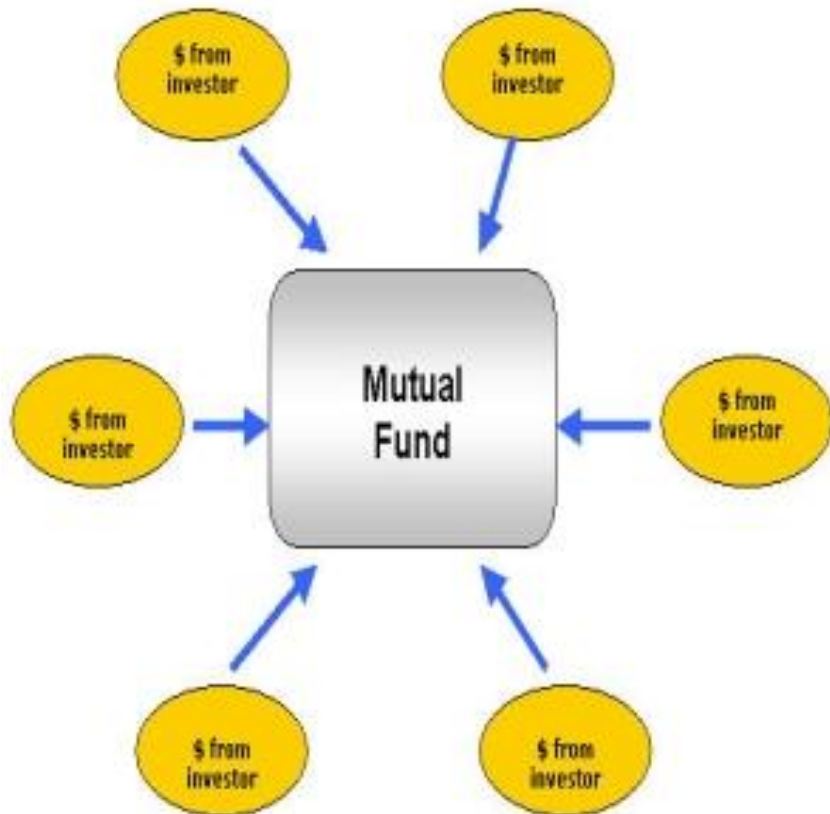
1. Risk
 - The level of uncertainty in an investment
2. Return
 - How much you gain
3. What is the relationship between risk and return?
 - Higher risk = higher return
 - Lower risk = lower return



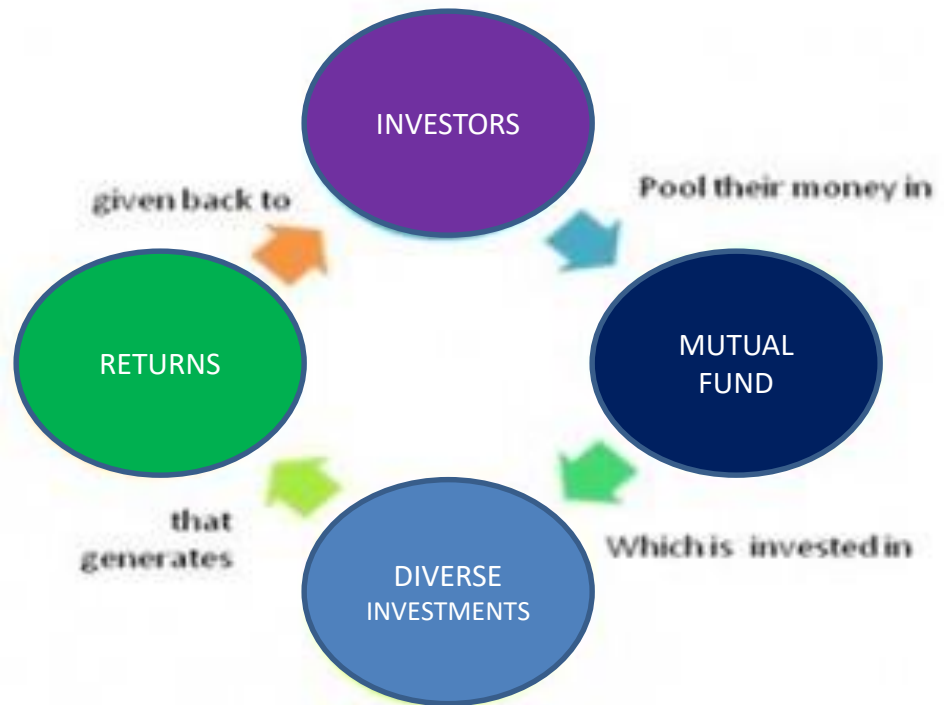
Define the following

a. Evaluate a variety of savings and investment options; include stocks, bonds, and mutual funds.

1. Stock
 - Partial ownership (high risk)
2. Bond
 - IOU to the government (low risk)
3. Mutual Fund
 - Pool money, spread out



How do Mutual Funds Work?



Answer the following questions

a. Give examples of who benefits and who loses from inflation.	Scenario	Helped/Hurt/Unaffected
	1. An individual puts \$1000 into a savings account at 2% simple interest. At the end of the first year inflation is 2%.	•Unaffected
	2. Banks lend billions of dollars at a fixed interest rate of 5%. Inflation unexpectedly increases from 2% to 4%.	•Hurt
	3. You purchase a \$1,000 one-year simple interest Certificate of Deposit (CD) from the bank that pays 4% fixed interest. Inflation increases unexpectedly from 2% to 5%.	•Hurt
	4. An individual is living on a part-time minimum wage job. Inflation rises at a normal rate of 2-3% for the year. The minimum wage does not increase, nor does the individual get a raise.	•Hurt

<p>a. Define progressive, regressive, and proportional taxes.</p>	<ol style="list-style-type: none"> 1. Progressive Tax <ul style="list-style-type: none"> • More you make, more they take 2. Regressive Tax <ul style="list-style-type: none"> • More you make, less they take (% of income) 3. Proportional Tax <ul style="list-style-type: none"> • Everyone pays same % of income 	<ol style="list-style-type: none"> 1. Progressive Tax <ul style="list-style-type: none"> • Income tax 2. Regressive Tax <ul style="list-style-type: none"> • Sales tax 3. Proportional Tax <ul style="list-style-type: none"> • Flat tax
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Income \$	Proportional Tax Rate	Tax Paid	Progressive Tax Rate	Tax paid	Regressive Tax	Tax Paid
10,000	15%	1500	15%	1500	15%	1500
50,000	15%	6500	20%	10000	10%	5000
100,000	15%	15000	40%	40000	5%	5000

Answer the following questions

a. Explain how an increase in sales tax affects different income groups.

Imagine that two people go shopping together. One person is a high-income earner and makes \$100,000 per year. The other is a low-income earner and makes \$1,000 per year. Both buy a brand new motorcycle that costs \$10,000 with 6% sales tax of \$600.

1. What percentage of the high income earner's income is \$600?

$$600/\$100,000 = \underline{.6\%}$$

2. What percentage of the high income earner's income is \$600?

$$600/\$1,000 = \underline{60\%}$$

3. Who is being taxed at a greater percentage? Low income earner

4. Who is bearing the burden of the sales tax? Low income (poor)

Define each of the following factors that affect credit worthiness

a. List factors that affect credit worthiness.

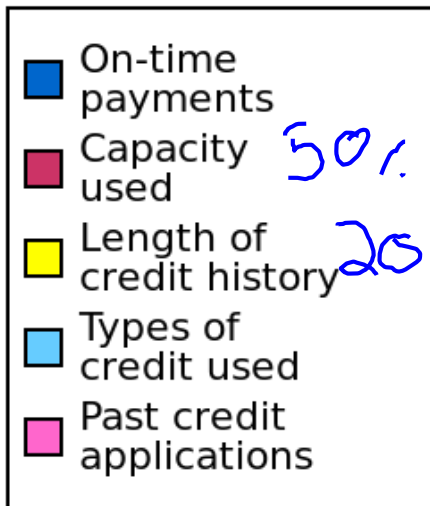
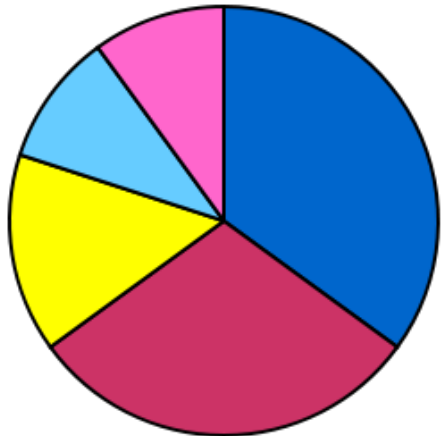
EQUIFAX[®]

TransUnion.

Experian™

1. Character
 - Have you paid your bills?
2. Capacity
 - Do you have a good job?
3. Collateral
 - Do you have valuable assets?

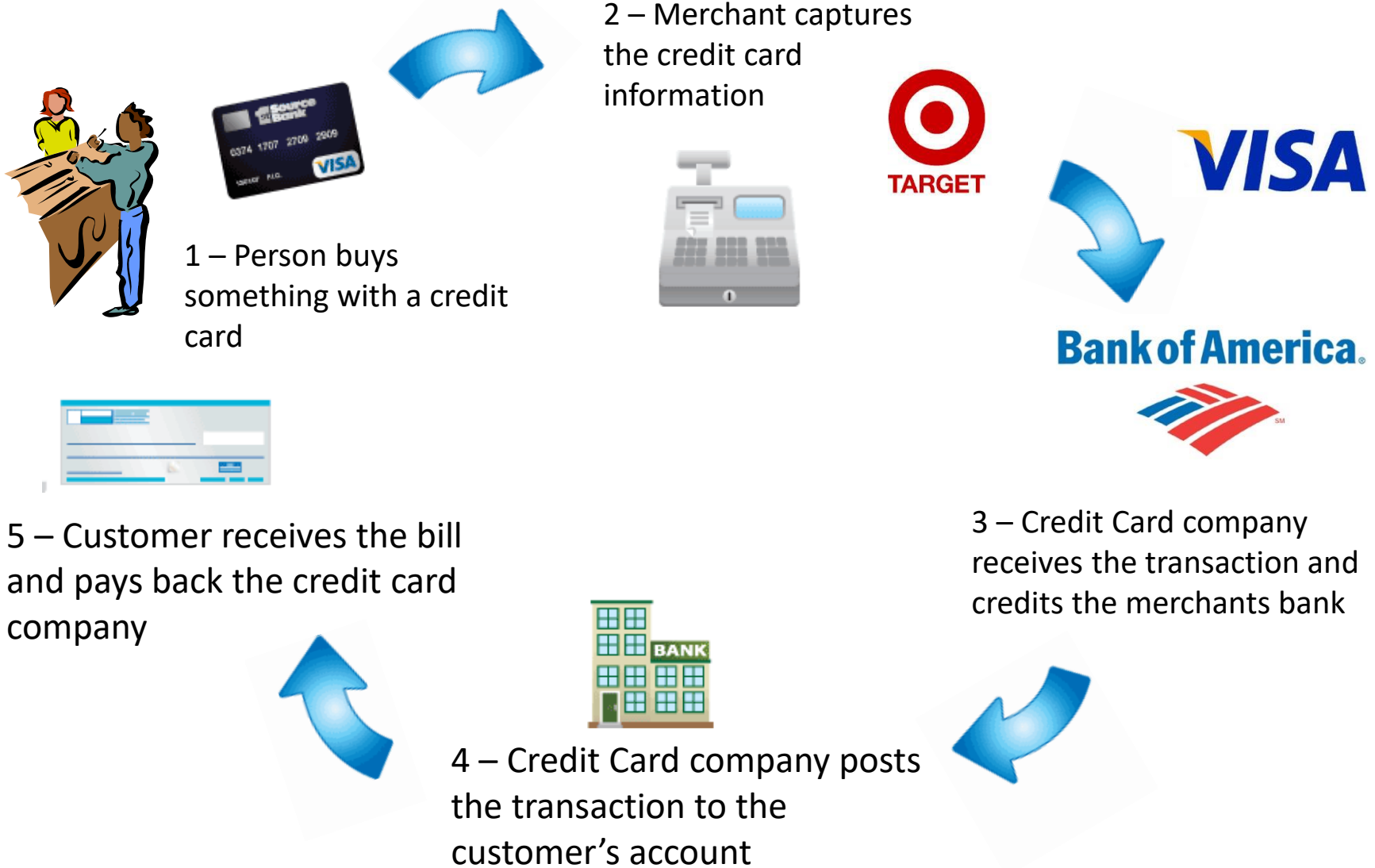
CREDIT SCORE FACTORS



Credit Score Ratings Chart:

760-850	EXCELLENT
700-759	VERY GOOD
723	MEDIAN FICO SCORE
660-699	GOOD
687	AVERAGE FICO SCORE
620-659	NOT GOOD
580-619	POOR
500-579	VERY POOR

How does a Credit Card Work?





ACCOUNT SUMMARY

[REDACTED]	
Previous Balance	\$360.75
Payment, Credits	-\$360.75
Purchases	+\$507.35
New Balance	\$507.35
<hr/>	
Opening/Closing Date	[REDACTED]
Total Credit Line	\$11,000
Available Credit	\$10,492
Cash Access Line	\$2,200
Available for Cash	\$2,200

PAYMENT INFORMATION

New Balance	\$507.35
Payment Due Date	07/24/10
Minimum Payment Due	\$10.00

Late Payment Warning: If we do not receive your minimum payment by the date listed above, you may have to pay up to a \$39.00 late fee and your APRs will be subject to increase to a maximum Penalty APR of 29.99%.

Minimum Payment Warning: If you make only the minimum payment each period, you will pay more in interest and it will take you longer to pay off your balance. For example:

If you make no additional charges using this card and each month you pay...	You will pay off the balance shown on this statement in about...	And you will end up paying an estimated total of...
Only the minimum payment	7 years	\$849
\$18	3 years	\$645 (Savings=\$204)

If you would like information about credit counseling services, call 1-866-797-2885.

CREDIT CARD "A"

BALANCE	\$10,000
INTEREST RATE	24.99%
MONTHLY PAYMENT	\$293
PAYOFF PERIOD	5 YEARS

TOTAL INTEREST PAID: **\$7607**

CREDIT CARD "B"

BALANCE	\$10,000
INTEREST RATE	10.99%
MONTHLY PAYMENT	\$217
PAYOFF PERIOD	5 YEARS

TOTAL INTEREST PAID: **\$3042**

1. Which credit card has the higher interest rate? A
2. Which credit card would you pay the most back in total interest?
 A
3. Which credit card would you prefer to use if you were going to borrow money?
 B

<p>a. Explain the difference between simple and compound interest rates.</p>	<p>1. Simple Interest $\text{Principal} \times \text{Rate} \times \text{Time}$ $1000 \times .10 \times 1 = 100$ Interest on principal only</p> <p>2. Compound Interest Interest on principal and any accumulated interest</p>	<p>1. In the long run, which account gathers more interest? <u>Compounding Interest</u></p>
--	---	---

	Simple Interest	Compound Interest
Year 1	\$110	\$110
Year 2	\$120	\$121
Year 3	\$130	\$133
Year 4	\$140	\$146
Year 5	\$150	\$161
Year 10	\$200	\$259
Year 20	\$300	\$672
Year 30	\$400	\$1,744
Year 40	\$500	\$4,526
Year 50	\$600	\$11,739

The Markets for Insurance



How Does Insurance Work?



Pool of People



Auto Insurance



Pool of Money



Deductible = \$500



Accident = \$5000



Accident = \$4500

Define each of the following insurances

a. List various types of insurance such as automobile, health, life, disability, and property.

1. Automobile

- Coverage on your car

2. Health

- Coverage for illness

3. Life

- Coverage if you should die, pays a beneficiary

4. Disability

- Unable to work because of accident or illness

5. Property

- Covers your house against damages (tree falls on your roof)



Define each of the following

a. Explain the costs and benefits associated with different types of insurance; include deductibles, premiums, shared liability, and asset protection.

1. Deductible

- Amount you have to pay before insurance pays

- Auto - \$500

- Health - \$1500

2. Premium

- Total amount you have to pay for coverage

- Lower deductible = higher premium

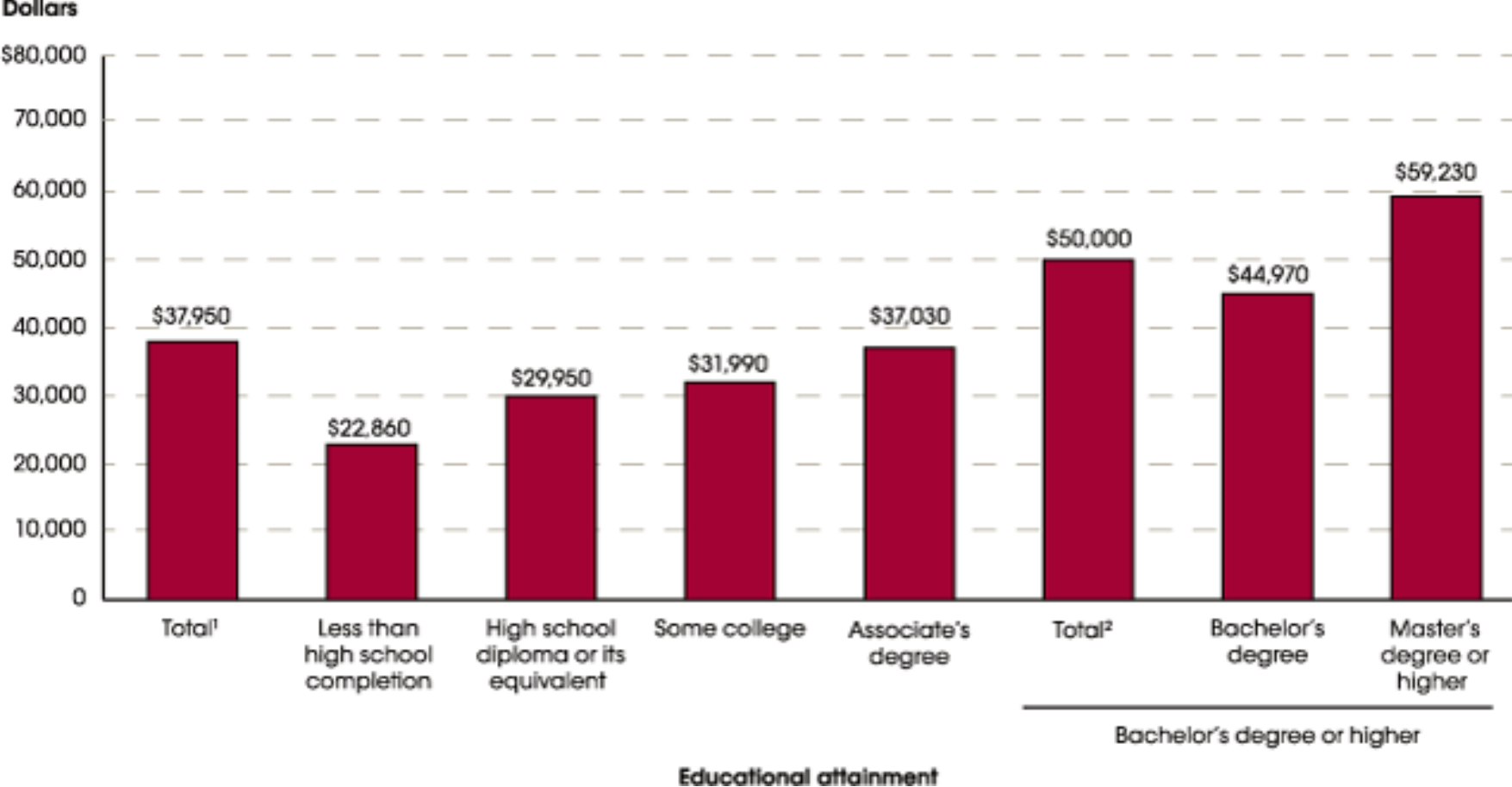
3. Shared Liability

- Marriage, partnership, share responsibility of debts.

4. Asset Protection

- Protecting your assets from creditors (someone can't sue you for your house).

	Describe why each of the following are important in the workplace
a. Identify skills that are required to be successful in the workplace.	<ol style="list-style-type: none"><li data-bbox="434 68 852 115">1. Communication<ul style="list-style-type: none"><li data-bbox="454 162 1615 272">•Communicate well with your boss, customers, fellow employees, etc.<li data-bbox="434 305 755 352">2. Punctuality<ul style="list-style-type: none"><li data-bbox="454 385 707 432">•Be on time<li data-bbox="434 536 838 584">3. Self Motivation<ul style="list-style-type: none"><li data-bbox="465 616 1157 664">•Intrinsic motivation to succeed



Based on the graph, what group is making the highest amount of money? •Highest education

What is the connection between education and potential earnings? •More education = more money

	Sugar (tons)	Cars
Cuba	40	10
Mexico	50	100

1. Which country has an absolute advantage?

Mexico

2. Which country has a comparative advantage in cars?

Mexico

3. Which country has a comparative advantage in sugar?

Cuba