**UNIT #9 – CIVICS & ECONOMICS – STUDY GUIDE**

(1) What things happen in an economic depression? (9.5)

(a) (increase/decrease) in demand for consumer goods (c) (increase/decrease) in business failures

(b) (increase/decrease) in poverty rate (d) (increase/decrease) in unemployment

(2) Free Trade: Supporters vs. Opponents (9.1)

(a) (supporter / opponent) Free trade causes American manufacturing jobs to be lost to countries where workers can be paid less to save on production costs.

(b) (supporter / opponent) Free trade allows us to enjoy goods for cheaper prices because of lower production costs.

(c) (supporter / opponent) Free trade causes allows American businesses to move to countries that have less strict laws protecting the environment and workers to save on production costs.

(d) (supporter / opponent) Domestic businesses cannot compete with companies that relocate to countries in order to cut production costs.

(3) Complementary or Substitute Goods (9.2)

(a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Peanut Butter & Jelly (c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Cable television & Netflix

(b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Luxury cars & standard cars (d) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Umbrellas & Raincoats

(4) How the Federal Reserve controls the supply of money (9.3)

|  |  |  |  |
| --- | --- | --- | --- |
|  | Interest Rates | Money Supply | Intended Effect on Economic Growth |
| Increase discount rate at which banks borrow | Increases OR Decreases | Increases OR Decreases | Slow Down OR Stimulate |
| Decrease discount rate at which banks borrow | Increases OR Decreases | Increases OR Decreases | Slow Down OR Stimulate |
| Increase reserve requirement banks must keep with Fed | Increases OR Decreases | Increases OR Decreases | Slow Down OR Stimulate |
| Decrease reserve requirement banks must keep with Fed | Increases OR Decreases | Increases OR Decreases | Slow Down OR Stimulate |
| Fed buys bonds from investors | Increases OR Decreases | Increases OR Decreases | Slow Down OR Stimulate |
| Fed sells bonds to investors | Increases OR Decreases | Increases OR Decreases | Slow Down OR Stimulate |

(5) Fiscal Policy or Monetary Policy (9.6,7)

(a) (Fiscal / Monetary) Proposed by president & passed by Congress

(b) (Fiscal / Monetary) Determined by Federal Reserve

(c) (Fiscal / Monetary) Decisions about taxes & spending

(d) (Fiscal / Monetary) Decisions about money supply & interest rates

(6) Fiscal Policy: (9.7)

(a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Higher income individuals pay a higher percentage

(b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Lower income individuals pay a higher percentage

(c)\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Individuals pay the same percentage tax, regardless of income

(d) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Taxes on transferred or inherited property after a person dies

(e) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Taxes on earnings & profits

(f) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Taxes on specific items like gasoline & cigarettes that discourage consumption

(g) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Spending that requires congressional approval

(h) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Spending that does not require congressional approval

(i) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Money that is transferred from one government to another

(j) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Spending by government

(k) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Collections by government from taxes, fines, user fees, etc.

(l) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Expenditures > Revenue

(m) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Revenue > Expenditures

(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Expenditures = Revenue

(o) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Tax cuts & spending increases to spur economic growth during recessions/contractions

(7) Trade: (9.1)

(a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Balance of Trade (T\_\_\_\_\_\_\_ S\_\_\_\_\_\_\_\_\_\_\_): Exports > Imports

(b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_/\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Balance of Trade (T\_\_\_\_\_\_ D\_\_\_\_\_\_\_\_\_\_\_): Imports < Exports

(c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Taxes on imports

(d) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Limit on the amounts of imports

(e) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Using trade barriers to protect domestic industries from foreign competition

(f) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Removal of trade barriers

(8) Why would the U.S. government enact a tariff on foreign goods? (9.1)

(9) If bad weather wipes out a crop, it is likely that the prices would (increase / decreases) of a (shortage / surplus). (9.4)

(10) Economic Indicators & the Business Cycle: (9.5)

(a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Value of all a country produces & main indicator of economic health

(b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Percentage of civilian labor force not working but looking for jobs

(c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Six consecutive months of decrease in GDP

(d) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Highest point in an economic expansion

(e) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Lowest point in an economic expansion

(11) Shortages & Surpluses: (9.4)

(a) Shortages signal to producers that prices are too (low / high), so prices will (increase / decrease) until reaching the equilibrium price.

(b) Surpluses mean to producers that prices are too (low / high), so prices will (increase / decrease) until reaching the equilibrium price.

(c) Price floors are usually set (above / below) the equilibrium price, often resulting in a (surplus / shortage).

(d) Price ceilings are usually set (above / below) the equilibrium price, often resulting in a (surplus / shortage).

(e) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Quantity Supplied > Quantity Demand

(f) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Quantity Demanded > Quantity Supplied

(12) What is the law of supply? (9.3)

(13) What is the law of demand? (9.4)

(14) Shifting the Demand Curve: (9.2)

(a) If consumers’ preferences become more favorable for a product than previously, at a given price, demand for that good will (increase / decrease) & the demand curve will shift to the (left / right).

(b) If consumers’ incomes decrease, at a given price, demand for that good will (increase / decrease), & the demand curve will shift to the (left / right).

(c) If prices for hamburger meat increase, at a given price, demand for hamburger buns will (increase / decrease) & the demand curve will shift to the (left / right).

(d) If consumers think there will be a gas shortage in the near future, at a given price, demand for that good will (increase / decrease) & the demand curve will shift to the (left / right).

(e) If consumers think that cable is too expensive, at any given price, demand for online streaming services (e.g., Hulu & Netflix) will (increase / decrease) & the demand curve will shift to the (left / right).

(15) Shifting the Supply Curve: (9.3)

(a) If suppliers’ input costs increase, the supply curve will shift so that, at a given price, supply will (increase / decrease) & the supply curve will shift to the (left / right).

(b) If technology makes production of more efficient for a supplier, the supply curve will shift so that, at a given price, supply will (increase / decrease) & the supply curve will shift to the (left / right).

(c) If suppliers think consumers will have less discretionary income in the near future, supply will (increase / decrease) & the supply curve will shift to the (left / right).

(16) Quantity Supplied, Quantity demanded, & equilibrium price: (9.4)

(a) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Quantity consumers are willing to buy at a given price

(b) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Quantity producers are willing to produce at a given price

(c) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_: Point where quantity supplied equals quantity demanded

(17) What usually results when prices are above the equilibrium price? (9.4)

(18) What usually results when prices are below the equilibrium price? (9.4)

(19) Consumers operate on (price/profit) motive, which is why the (supply / demand) curve has a(n) (upward/downward) slope.

(20) Producers operate on (price/profit) motive, which is why the (supply / demand) curve has a(n) (upward/downward) slope.

(21) If the quantity supplied changes drastically for a small change in price, that good is said to be supply (elastic / inelastic).

(22) If the quantity supplied barely changes for drastic changes in price, that good is said to be supply (elastic / inelastic).

(23) If the quantity demanded barely changes for drastic changes in price, that good is said to be demand (elastic / inelastic).

(24) If the quantity demanded changes drastically for a small change in price, that good is said to be demand (elastic / inelastic).

**UNIT #9 – CIVICS & ECONOMICS – STUDY GUIDE (PART II)**

(25) Draw a graph and label: (9.5)

S = Supply curve

D = Demand curve

Ep = Equilibrium Price

+ = Region where surpluses occur

– = Region where shortages occur

***LABEL YOUR AXES for PRICE and QUANTITY!!!***

(26) Determine whether EQUILIBRIUM PRICE will INCREASE, DECREASE, or is INDETERMINABLE in the chart below.

|  |  |  |
| --- | --- | --- |
| Supply | Demand | Equilibrium Price |
| INCREASE | INCREASE | INCREASE / DECREASE / INDETERMINABLE |
| INCREASE | DECREASE | INCREASE / DECREASE / INDETERMINABLE |
| DECREASE | INCREASE | INCREASE / DECREASE / INDETERMINABLE |
| DECREASE | DECREASE | INCREASE / DECREASE / INDETERMINABLE |

(27) Shifting both the supply & demand curves: We enter a recession where many people lose their jobs & technology allows computer manufacturers to produce more efficiently.

(a) What happens to the supply for computers?

(b) What happens to the demand computers?

(c) What happens to the equilibrium price for computers?

(28) Shifting both the supply & demand curves: We enter a period of economic expansion where incomes are on the rise & technology allows computer manufacturers to produce more efficiently.

(a) What happens to the supply for computers?

(b) What happens to the demand for computers?

(c) What happens to the equilibrium price for computers?

(29) Shifting both the supply & demand curves: The price of gasoline falls & the government gives a subsidy to car companies that replace production of fuel-inefficient vehicles with fuel-efficient ones.

(a) What happens to the supply for fuel-efficient vehicles?

(b) What happens to the demand for fuel-efficient vehicles?

(c) What happens to the equilibrium price for fuel efficient vehicles?

(30) Shifting both the supply & demand curves: The price of gasoline rises & the government imposes a tax on car companies.

(a) What happens to the supply for fuel-efficient vehicles?

(b) What happens to the demand for fuel-efficient vehicles?

(c) What happens to the equilibrium price for fuel-efficient vehicles?