

Do practice multiple choice test questions on website to check your understanding!

International Trade & Globalization, Poverty & Income Distribution

1. How does the U.S. government define the poverty level for a single person? A family of four? On what item is the calculation of the poverty level based?
2. What are the three most significant reasons that high levels of poverty exist in the U.S. in your opinion?
3. What is the difference between **income distribution** and **wealth** distribution?
4. What percentage of the United States' income is earned by the top 20% of Americans? The top 1%?
5. What percentage of the United States' wealth is owned by the top 20% of Americans? The top 1%?
6. Explain David Ricardo's revolutionary theory that has become the basis of international trade theory.
- 7.

	[maximum potential output in bushels]	
	Argentina	Guatemala
Coffee	300	100
Wheat	300	20

- Draw Production Possibilities Frontier curves for each country.
 - Explain which country has an absolute advantage in which products and how you know.
 - Show numerically the opportunity costs for each country of producing each product and explain which country has a comparative advantage in which product.
8. Define the following terms:

a) exports	b) quotas	c) tariffs
d) absolute advantage	e) comparative advantage	f) trade deficit
g) trade surplus	h) protectionism	i) Production Possibilities Frontier (curve)
 9. How would you define globalization in two sentences?
 10. What have been the two fundamental reasons for the rise of globalization?
 11. Of the following groups, who benefits from the U.S. importing goods from other countries: domestic producers, domestic workers, foreign workers, foreign producers, domestic consumers, domestic businesses that use imported goods, ?
 12. Of the following groups, who benefits from the U.S. exporting goods to other countries: domestic producers, domestic workers, foreign workers, foreign producers, domestic consumers, domestic businesses that use imported goods,
 13. Of the following groups, who is impacted positively when a tariff is placed on a good imported into the U.S: domestic producers, domestic workers, foreign workers, foreign producers, domestic consumers, domestic businesses that use imported goods.? Who is negatively impacted?
 14. What is the World Trade Organization and how exactly does the WTO promote free trade?
 15. Why are some people so passionately against the WTO and free trade?
 16. What is the purpose of the World Bank and what are its pros and cons?
 17. What is the North American Free Trade Agreement (NAFTA) and what are its pros and cons?
 18. What are three major opportunity benefits of globalization?
 19. What are three major opportunity costs of globalization?
 20. What is outsourcing and why is it so controversial?
 21. What was the Hawley-Smoot Tariff, and how did it contribute to the Great Depression?
 22. What are three ways that globalization has affected the United States?
 23. Who would be positively and negatively affected by U.S. government cotton subsidies to U.S. agriculture firms?
 24. What are three ways that globalization has affected Jamaica?
 25. What are the BRIC countries?
 26. From an investor's point of view, what are two pros and two cons of investing in India?
 27. From an investor's point of view, what are two pros and two cons of investing in China?
 28. What are three ways globalization has affected India?
 29. What are three ways that globalization has affected China?
 30. What has happened to unions in the U.S. over the last twenty years and why?

Economics Nuts & Bolts, Investing

31. Draw the circular flow diagram for a market economy and in one sentence explain what it represents.
32. Draw the business cycle and label points where an economy is contracting or expanding and at a peak or trough.
33. What exactly is meant by a country's Gross Domestic Product?
34. How much of U.S. GDP is accounted for by consumer spending?
35. What is a country's GDP Growth rate? What is considered a growth rate that could lead to inflation? How exactly is a "recession" defined?
36. Explain in detail the definition of the study of Economics.
37. Define opportunity cost and opportunity benefit.

38. What does a country's PPF curve represent, and in what ways can a country increase its Production Possibilities (shift the PPF curve to the right)?
39. What are the four primary economic systems?
40. What is Microeconomics? What is Macroeconomics? Give an example of each.
41. Explain how the price of oil affects the circular flow of the economy.
42. Why do companies issue stock?
43. What are the three major stock indices and how are they different?
44. What does "market capitalization" mean, and what defines if a corporation is considered large-cap, mid-cap, or small-cap?
45. What are the advantages of buying stocks as an investment? The disadvantages?
46. What are the advantages of buying bonds as an investment? The disadvantages?
47. **Economic Statistics:**
 - a) Minimum number of jobs the U.S. economy needs to create each month to keep up with population growth?
 - b) Most recent job growth #?
 - c) "Full" Employment?"
 - d) Current Unemployment Rate?
 - e) "Healthy" GDP Growth Rate Range?
 - f) Most recent GDP growth rate?

Supply & Demand, Externalities

48. What does the **law of demand** state? What does the **law of supply** state? What is market **equilibrium**?
49. What is the difference between a **change in demand** and a **change in quantity demand**?
50. What are the 5 **determinants of demand**? Write the acronym and define each one
51. What is the difference between a **change in supply** and a **change in quantity supplied**?
52. What are the 3 **determinants of supply**? Write the acronym and define each one
53. What situation occurs when the gov't sets a **price ceiling** below market equilibrium? A price floor above market equilibrium?
54. What is the difference between an **elastic good** and an **inelastic good**? How are their demand curves different? Give examples of two elastic and two inelastic goods.

Government and the Economy: Budget, Fiscal & Monetary Policy

55. Identify & define the 4-types of **unemployment**; which two can be influenced by government action? What is considered "full employment" and why?
56. Explain what the Consumer Price Index is and what it is used to measure.
57. What exactly is **inflation** and what are the main problems caused by inflation?
58. Define what an interest rate is.
59. What exactly is a bond? Why does anybody buy them?
60. What is an "**Entitlement**," what are the 3 main Entitlement programs, and what role do they play in the future of the Government's budget?
61. Identify the largest non-Entitlement component of the **U.S. Budget**—how much did we spend on this last year?
62. What is the **federal debt** as opposed to the federal **deficit**?
63. Who was John Maynard Keynes, and how did he challenge the view of the Classical economists?
64. Identify the two types of fiscal policy and the goal of each; who is in charge of fiscal policy?
65. Explain in detail the two main tools of fiscal policy.
66. Identify five taxes that various levels of government collect to raise money to pay for their various functions.
67. Draw a diagram of the structure of the Federal Reserve System, including the Federal Open Market Committee.
68. What exactly is the Federal Funds rate?
69. Identify the two types of monetary policy and the goal of each; who is in charge of monetary policy?
70. Explain in detail the two main tools (one major and one minor) of monetary policy?
71. For an economy that has a 10% unemployment rate and a -4% GDP growth rate
 - Draw an **aggregate demand** (AD) curve and an **aggregate supply** (AS) curve illustrating this economy
 - Explain why the AS curve eventually becomes vertical as output (GDP) increases?
 - What two tools of fiscal policy would you use in this situation and show what effect that would have on the AD curve.
72. Draw the money market graph for the **Demand of Money** (MD₁) and **Supply of Money** (MS₁)
 - *Why is the MS curve a vertical line?*
 - *What two monetary policy actions would be taken in the scenario given in the previous question? Which way would MS curve shift? Why? What effect would that have on the federal funds rate?*

73.	2028	2029	2030
Unemployment	6%	4%	3%
% Change in CPI	5%	7%	10%
% Change in real GDP	+3%	+4.5%	+6%

- What is the economic problem facing this economy?
- What type of monetary policy and specific monetary policy tools could be used to correct this problem?
- What kind of fiscal policy and specific fiscal policy tools could be used to correct this economy?

74. ECONOMIC CRISIS #1

The economy is in Booming. GDP growth has been +5.5% & 6.0% the last 2 quarters; unemployment is at 2% Consumer confidence is at a 10-year high; auto & home sales are at record levels; inflation has increased by 7% over the last year.

The **FEDERAL RESERVE** is concerned. What would be the best **MONETARY POLICY** to put in place?

- Draw **Aggregate Demand Curve/Aggregate Supply Curves** that reflect the state of this economy.
 - Label each axis of your graph.
- Draw the Money Market Graph (**Money Demand Curve/Money Supply Curves**).
 - Label each axis of your graph.
- Discuss in writing (minimum three sentences) what type of policy the Fed would use and the specific steps the Fed would take to solve this economic problem. In your answer, be sure to explain the SPECIFIC actions the Fed would need to take to implement this policy, and explain how its actions would ultimately affect Aggregate Demand.
- Illustrate graphically the change that the Fed's actions would have on the two graphs (both the Money Market Graph + AD/AD Graph)

75. ECONOMIC CRISIS #2

GDP growth has been -1.5% & -2.0% the last 2 quarters.

Unemployment is at 9%, consumer confidence is at a 10-year low; auto & home sales are declining; inflation is very low.

The **CONGRESS** is concerned about the weak economy--It is their job to formulate a **FISCAL POLICY** to address this problem.

- Draw the **Aggregate Demand Curve** and the **Aggregate Supply Curve** that reflects the state of this economy.
 - Label each axis of your graph.
- Explain in writing (minimum three sentences) what type of policy you will use AND the specific policy tools (actions) you will use. Be sure to explain the specific effects you expect from the actions you propose.
- Illustrate the change graphically [Label any new curves AD₂ or AS₂]

SHORT ANSWER QUESTIONS

- Given a time frame and investment goal(s), be able to articulate a logical investment strategy.
- Given demand and cost data on three hypothetical restaurants (similar to what we did in the Food Court project), be able to determine which of the three would be most profitable. Be able to show the mathematical calculations that allowed you to determine profitability.
- Be able to answer in writing and demonstrate graphically a fiscal or monetary policy response to a hypothetical scenario such as #74 or #75 above.
- Given a President's Dilemma-like scenario, be able to come up with three fiscal policy action steps to address the scenario and be able to explain in writing why you advocate these actions.
- Be able to articulate what globalization is, key causes of the rise of globalization and its impacts on various countries and/or groups of people.

