

Economics final review questions part II.

What are some ways to measure economic performance?

What are economic indicators used for?

Define GDP

What are the different types of economic indicators and what does each show?

What is the consumer price index (CPI), how is it determined, and what does it show?

Know the different parts of the business cycle?

What does it mean when we talk about demand and supply in terms of aggregates?

Describe what can happen to aggregate supply and aggregate demand when price rises.

What does the producer price index measure

Describe the effects of inflation.

What are the functions of money?

Know the difference between the types of money.

How are M1 and M2 different?

How is the FED organized, and how does each part function?

How does a loose money policy differ from a tight money policy?

How does each monetary policy tool expand or shrink the money supply?

What might the fed do to effect interest rates, and what is the main tool?

Know the difference between the types of taxes.

How does the budget-making process work?

Know the regulatory functions of government.

Describe the circular flow of income, what leakages are and what they do.

What is the difference between demand pull inflation and cost push inflation?

Know what causes stagflation.

Know what John Maynard Keynes and Milton Friedman believed.

How are seasonal, frictional, and structural unemployment different?

Why is the use of fiscal policy criticized?

Why do monetarists believe in using the money supply to stabilize the economy?