Unit 4 Study Guide – Economic Indicators & Fiscal Policy

GDP
1) What are the 3 macroeconomic goals?
    a.
    b.
    c.

2) Define **GDP** (and what does GDP stand for)?

3) What is the formula for GDP?

For each of the following examples, identify whether or not it would be counted in United States GDP (Answer: Yes or No)
4) A book purchased at a secondhand bookstore in California
5) A car made in Georgia in January of 2019 & sold in October of 2019
6) Shoes made in Japan by a US company
7) Money you earned from mowing lawns this past summer

8) Which of the following is an example of an intermediate good?
    a. A tire you purchased from Advanced Auto Parts
    b. The original engine purchased for your car
    c. The eggs you purchased at the store to bake a cake for your mom's birthday
    d. The laptop the school provided Ms. Ramsay

Inflation
9) What is **Consumer Price Index (CPI)** used to measure?

10) What a market basket?

11) List 2 types of people who are hurt by inflation:
    a.

    b.

12) List 2 types of people who are helped by inflation:
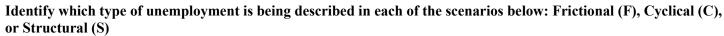   a.

    b.

Unemployment
13) What are the criteria for being counted in the unemployment number?
    a.
    b.
    c.

14) What is the normal rate of unemployment, or full employment?

Identify which type of unemployment is being described in each of the scenarios below: Frictional (F), Cyclical (C), or Structural (S)

15) Goofy works at a VCR repair shop, when DVDs become more popular, he loses his job.
16) Mickey Mouse just graduated from Disney college and is looking for a job.
17) Bugs Bunny was fire for watching Netflix at work.
18) Mickey Mouse lost his job when the stock market crashed & a recession hit

Business Cycle

19) Draw and label the **business cycle** and label each phase.

Identify which phase of the business cycle is being described in each of the scenarios below: Contraction (C), Expansion (E), Peak (P), Trough (T)

20) GDP and production are at the maximum point, inflation is high
21) Unemployment is at record high levels & consumers are not spending money
22) Inflation is steady but rising and consumers are gaining confidence in the market
23) Inflation is dropping, unemployment is rising and businesses are not investing in capital goods

24) What are the three uses of **money**?
    i.
    ii.
    iii.

Aggregate Supply & Aggregate Demand

Identify the following for each scenario below:
   1) Does it impact AD or AS?
   2) Does it shift it increase it or decrease it?

25) Fears of a recession coming have caused consumers to start saving their money.
    a.
    b.

26) The price of lumber as a resource increases 5%.
    a.
    b.

Federal Budget

27) Sales tax is an example of which type of tax: regressive, proportional or progressive?

28) Income tax is an example of which type of tax: regressive, proportional or progressive?

29) What is a **budget deficit**?

30) What is a **budget surplus**?

31) What is the difference between national deficit and national debt?

Fiscal Policy
32) What 2 tools are used in Fiscal Policy?

Identify whether each of the following are examples of Contractionary (C) or Expansionary (E) Fiscal Policy
33) The government increases income tax by 3%
34) The government increases their yearly spending on education by $1 million
35) The government decreases income tax by 2%
36) The government reduces the budget for national defense by 1%

37) What is the goal of an expansionary fiscal policy?

38) What is the goal of a contractionary fiscal policy?