

Study Guide 1 – Economics 103

1. Define Economics. What is the difference between microeconomics and macroeconomics?
2. What are the factors of production? What are the payments to these factors of production? Is money productive?
3. What is the difference between physical and financial capital?
4. Understand and be able to explain fully the model of Supply and Demand. Use this model to explain various markets such as the gasoline market, automobile market or other markets.
5. Be sure to understand the difference between a change in demand (or supply) and a change in quantity demanded (supplied).
6. What do we mean by GDP?
7. What is the difference between the income and expenditures approach to GDP. What do we mean by value added?
8. Be sure to know all the factors that are included in GDP.
9. What is gross versus net investment?
10. What is the difference between GDP and GNP?
11. Some economists have argued that the level of GDP (or GNP) is not an accurate measure of the welfare of the economy. Give three examples why this argument can be made.
12. Be sure to understand the difference between nominal and real values.
13. What are the phases of the business cycle?
14. How do we define a recession?
15. How do we calculate the unemployment rate? Explain at least three different types of unemployment. Give examples of each.
16. Does the full employment rate of output mean everyone has a job? Explain
17. What is inflation, deflation and disinflation?

18. What is hyperinflation?
19. What do we mean by cost-push inflation? What do we mean by demand-pull inflation? Give examples of each.
20. What do we mean by the Consumer Price Index? What do we hold constant when comparing the cost of a market basket of goods if we are using the CPI.
21. If you are told that the CPI was 150 in 2000 and the CPI was 195 in 2009, what was the rate of inflation from 2000 to 2009?
22. What is the difference between economic growth and economic development?
23. What do we mean by the Rule of 70 (or 72)? Give an example.
24. Explain poverty to someone who has always lived in a developed country.
25. What do we mean by human capital? How does human capital affect development?
26. Understand the aggregate production function for the economy and also understand what factors affect productivity.
27. What do we mean by the real wage rate?
28. What factors affect loanable funds? How do changes in the supply and demand for loanable funds affect the real rate of interest?
29. Everything else.