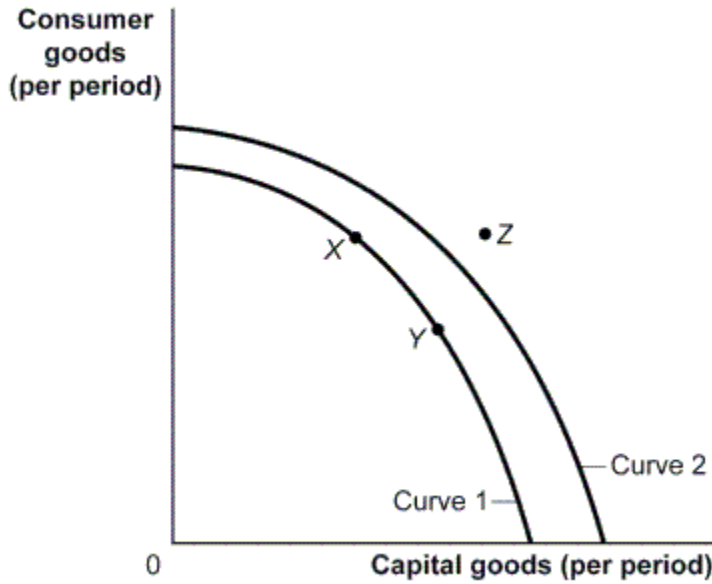


AP Economics 2018-2019 Final Exam Krugman Text Study Sheet

Module/Question#

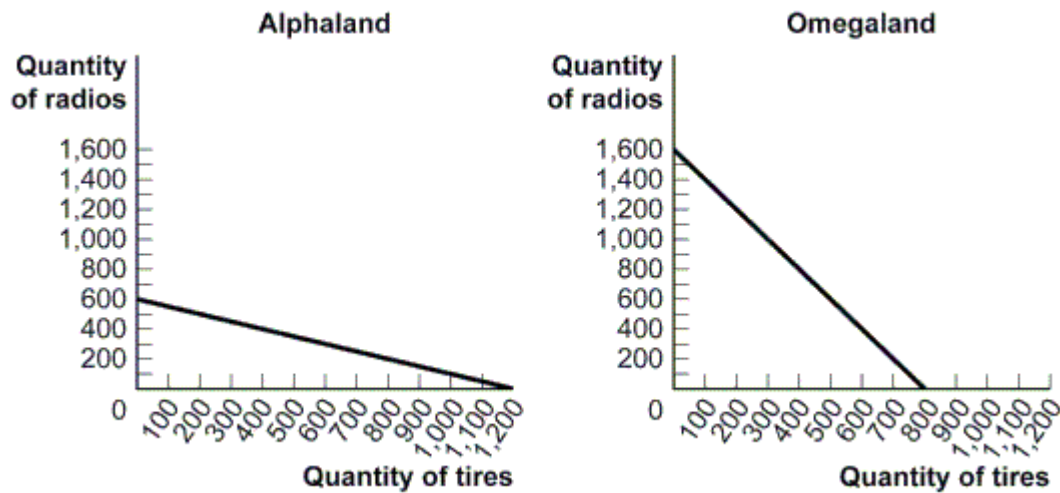
- 1/1 Microeconomics deals with:
- 1/2 Macroeconomics deals with:
- 1/3 Scarcity in economics means:
- 2/4 Too little spending in an economy often leads to:
- 2/5 The short-run alternation between economic downturns, recessions, and economic upturns and expansions is known as the:
- 2/6 Inflation is a situation where:

Figure 3-3: Consumer and Capital Goods



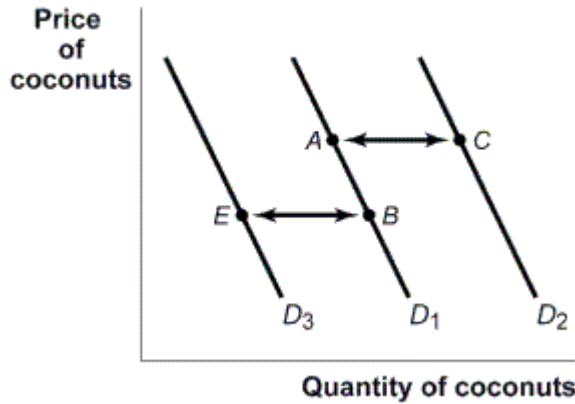
- 3/7 Use the “Consumer and Capital Goods” Figure 3-3. The movement from Curve 1 to Curve 2 indicates:
- 3/8 Use the “Consumer and Capital Goods” Figure 3-3. Point Z:
- 4/9 Gains from trade arise because of:

Figure 4-4: Alphaland and Omegaland



- 4/10 Use the “Alphaland and Omegaland” Figure 4-4. The opportunity cost of producing 1 tire in Alphaland is _____ radio(s), while the opportunity cost of producing 1 tire in Omegaland is _____ radio(s).
- 5/11 Which of the following factors cause a movement along the demand curve?
- 5/12 If goods A and B are substitutes, a decrease in the price of good B will:

Figure 5-1: Demand for Coconuts



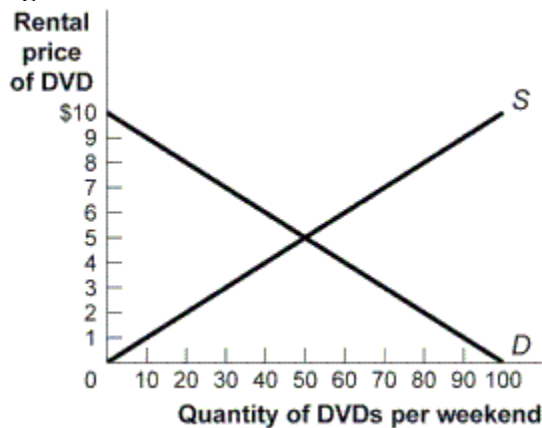
- 5/13 Use the “Demand for Coconuts” Figure 5-1. If coconuts are considered a normal good and the overall income level of consumers is falling, then the movement that would take place in the model could be:
- 6/14 A direct relationship between price and quantity is represented by:

Price of lemonade (per cup)	Number of Cups of Lemonade Supplied (per day)		
	Eric	Molly	Eli
\$0.50	0	5	10
0.75	10	15	25
1.00	25	25	40
1.25	40	35	55
1.50	60	45	70

Table 6-1: Supply of Lemonade

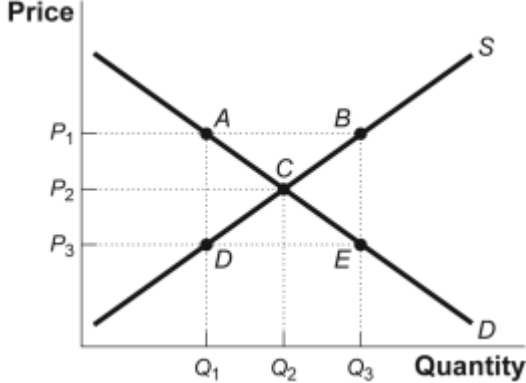
- 6/15 Use Table 6-1. If the price of lemonade is \$1 per cup, total quantity of lemonade supplied will be:

Figure 6-2: DVD Market



- 6/16 Use the “DVD Market” Figure 6-2. At a rental price of \$6, there will be:

Figure 7-3: Supply and Demand in the Orange Juice Market



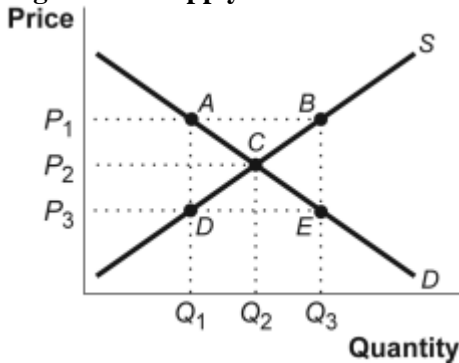
- 7/17 Use the “Supply and Demand in the Orange Juice Market” Figure 7-3. Assume that a hurricane hits Florida. In response, what would be the most likely equilibrium point in the orange juice market illustrated?
- 7/18 In the soft drink market, an increase in the price of sugar, a necessary ingredient for soft drinks, and an increased concern about tooth decay caused by the consumption of soft drinks will result in which of the following?
- 8/19. A binding price ceiling is designed to:

Price (unit)	Quantity Demanded (units)	Quantity Supplied (units)
\$1.10	9,000	3,000
1.20	8,000	5,000
1.30	7,000	7,000
1.40	6,000	9,000
1.50	5,000	1,100

Table 8-1: Market for Fried Twinkies

- 8/20 Use Table 8-1. In response to popular anger over the high price of fried Twinkies, the government imposes a price ceiling of \$1.20 per fried Twinkie. From this table, the price ceiling causes:

Figure 8-6: Supply and Demand



- 8/21 Use the “Supply and Demand” Figure 8-6. In the market shown in the figure, a price ceiling of P_1 causes:
- 10/22 The simplest circular-flow model shows the interaction between households and firms. In this model:
- 10/23 Which are the two markets represented in the simplest circular-flow diagram?
- 10/24 Total income households have after paying taxes and receiving government transfers is called:
- 11/25 Real GDP is nominal GDP adjusted for:

Year	Output	Price per Unit
1	2	\$2
2	3	4
3 = base period	4	5
4	6	6
5	7	9
Table 11-5: Price and Output Data		

11/26 Use **Table 11-5**. The value of Year 4's output in real dollars is:

12/27 The labor force is defined as:

12/28 Unemployment rates tend to decrease when:

13/29 Sam, who is 55 years old and has been a steel worker for 30 years, is unemployed because the steel plant in his town closed and moved to Mexico. Sam is experiencing:

13/30 If the actual unemployment rate is 7% and the cyclical unemployment rate is 2%, then the natural rate of unemployment is:

14/31 Increases in the average level of prices is called:

14/32 An increase in the price level that is extremely rapid (say 400% per year) is called:

15/33 Which one of the following price indices is commonly used to measure the cost of living?

15/34 Which of the following statistics is used to measure changes in the prices that firms pay for goods and services?

16/35 The marginal propensity to consume is equal to:

16/36 If the disposable income increases by \$1000 and the consumer spending increases by \$800, then the marginal propensity to consume is:

17/37 The modern tools of macroeconomic policy are:

17/38 The economy is in a recession. Which of the following is a fiscal policy that the government should adopt to strengthen the economy?

18/39 The long-run aggregate supply curve is:

18/40 In the long run, wages and prices are considered to be:

18/41 Sticky wages and prices occur:

19/42 Stagflation is a combination of:

19/43 Suppose that political instability in the Middle East temporarily interrupts the supply of oil to the United States. Which of the following is most likely to occur?

20/44 Fiscal policy attempts to affect the level of overall spending in the economy by changes in:

20/45 Expansionary fiscal policy:

21/46 Government spending and taxation rules that cause fiscal policy to be expansionary when the economy contracts and contractionary when the economy expands are known as:

21/47 Which of the following is an automatic stabilizer?

22/48 Investment spending refers to:

22/49 When a corporation borrows money from lenders in exchange for a fixed rate of return and a given maturity, the corporation is:

22/50 When a corporation borrows money from lenders in exchange for a fixed share of the firm's assets and potential profits, the corporation is:

23/51 When countries replaced gold and silver coins with paper money exchangeable for certain amounts of precious metals, the monetary system evolved from:

23/52 Fiat money is:

25/53 A bank run occurs when:

25/54 Reserve requirements:

25/55 Banks create money when they:

26/56 The Federal Reserve System is the _____ for the United States.

27/57 All of the following are responsibilities of the Fed EXCEPT:

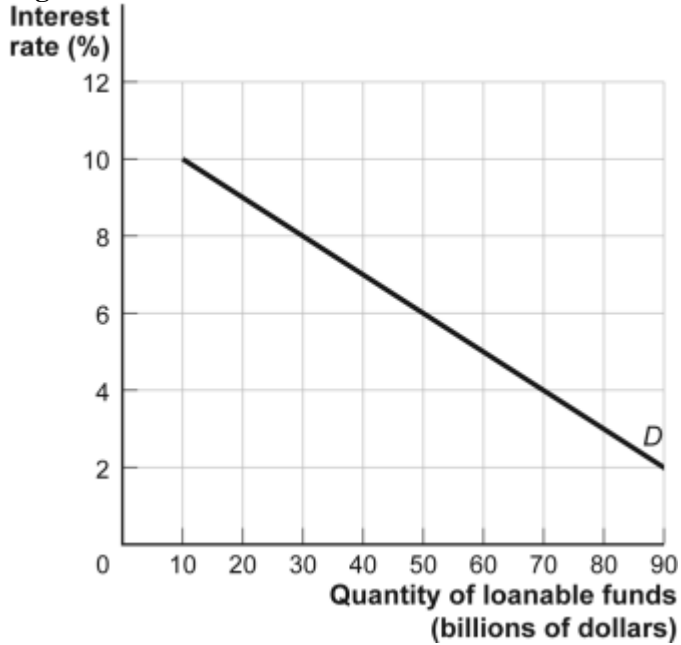
27/58 If the Federal Reserve wanted to increase the money supply, it could:

28/59 If the interest rate on CDs increases from 5% to 10%, the opportunity cost of holding money will _____ and the quantity demanded of money will _____.

28/60 The money demand curve shows the relationship between the:

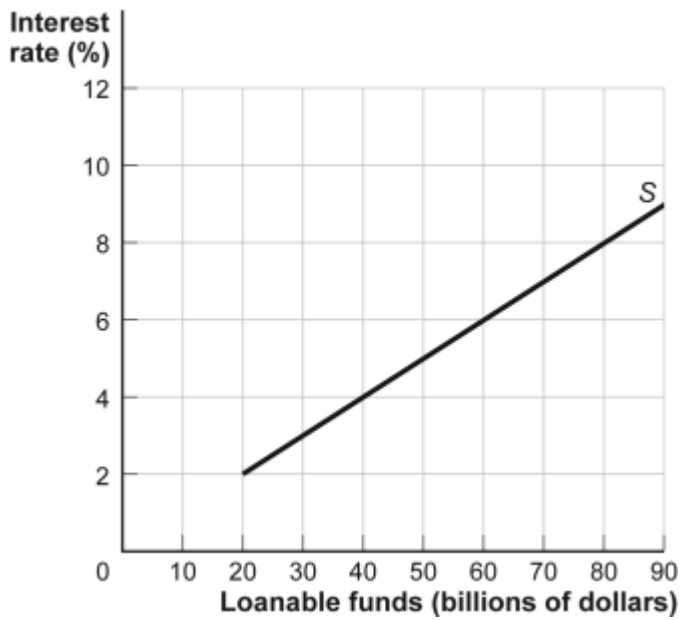
28/61 According to the liquidity preference model, the equilibrium interest rate is determined by:

Figure 29-2: Demand for Loanable Funds



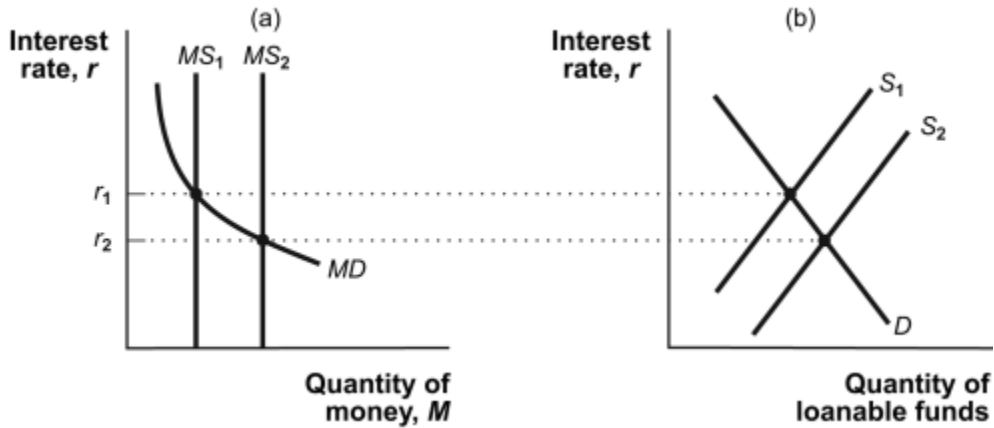
29/62 Use the “**Demand for Loanable Funds**” **Figure 29-2**. According to the accompanying figure, when the interest rate is 6%, the quantity demanded of loanable funds will equal:

Figure 29-4: Supply of Loanable Funds



29/63 Use the “**Supply of Loanable Funds**” **Figure 29-4**. According to the accompanying figure, when the interest rate rises from 6% to 8%, then the:

Figure 29-11: Short-Run Determination of the Interest Rate



29/64 Use the “**Short-Run Determination of the Interest Rate**” **Figure 29-11**. If the money supply is currently at MS_1 and the central bank chooses to buy bonds, then the resulting short-run shift in the supply of savings (loanable funds) may be represented by a shift of the:

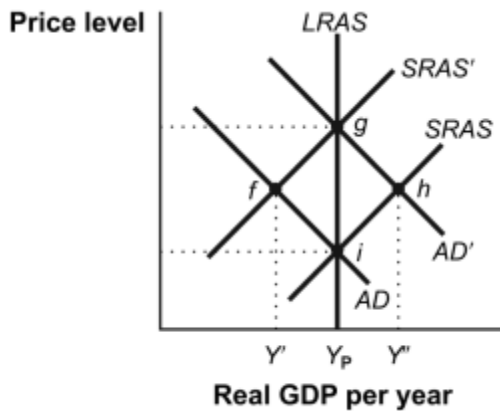
30/65 The government has a budget deficit if:

30/66 When the budget is in deficit, the government generally:

31/67 Monetary policy attempts to affect the overall level of spending in the economy by changes in:

31/68 Contractionary monetary policy:

Figure 31-8: Monetary Policy and the AD–SRAS Model



31/69 Use the “**Monetary Policy and the AD–SRAS Model**” **Figure 31-8**. An increase in the money supply is most likely to cause a shift:

32/70 The concept of monetary neutrality describes a situation in the long run when:

33/71 The inflation tax is:

33/72 Assume an economy that is contracting and unemployment is rising. Which of the following would be a logical explanation for a sudden fall in the unemployment rate even while the economy continues to contract?

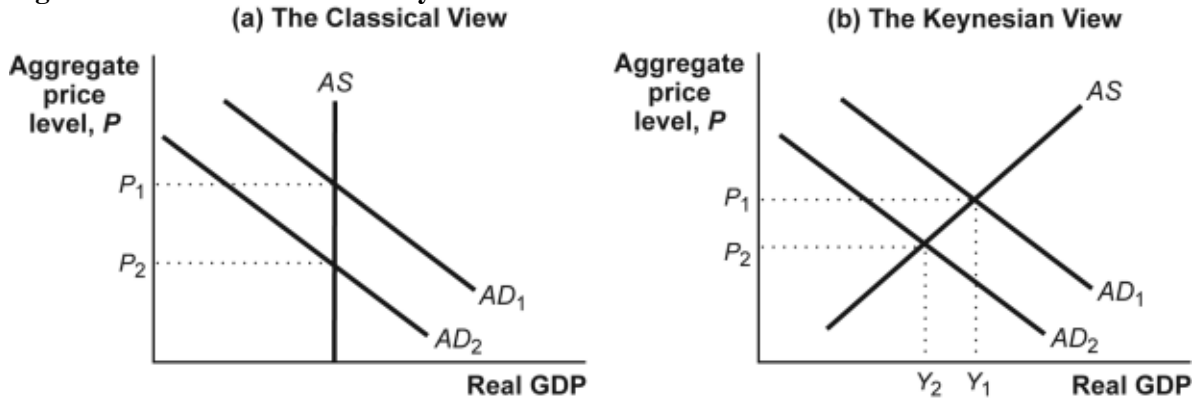
34/73 The short-run Phillips curve shows:

34/74 A supply shock:

34/75 Stagflation is a combination of:

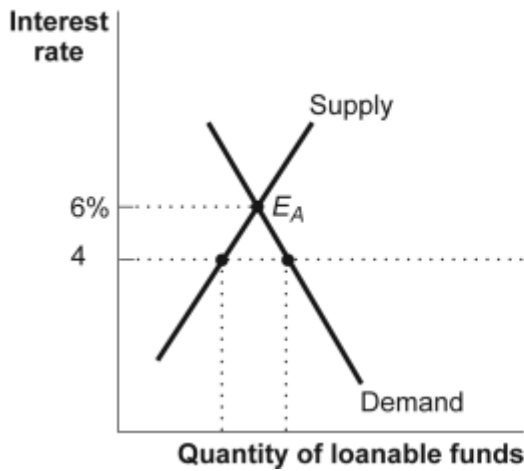
34/76 If an economy finds itself in a liquidity trap, this means that:

Figure 35-1: Classical Versus Keynesian Macroeconomics

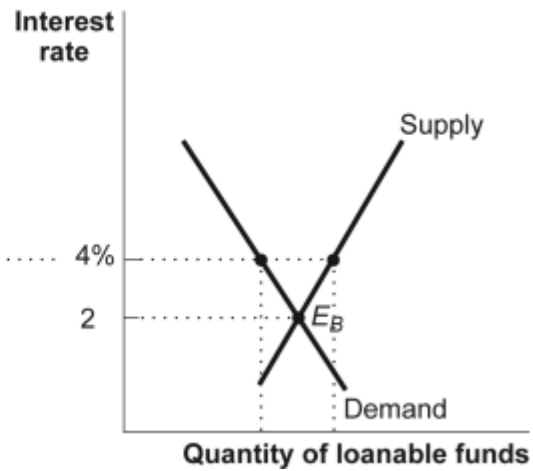


- 35/77 Use the “**Classical Versus Keynesian Macroeconomics**” **Figure 35-1**. According to the Keynesian view, if this economy shifts from AD_2 to AD_1 , let's say due to a large increase in government spending, then:
- 35/78 Use the “**Classical Versus Keynesian Macroeconomics**” **Figure 35-1**. According to the classical view, if this economy shifts from AD_2 to AD_1 , let's say due to a large increase in government spending, then:
- 36/79 Which of the following statements is broadly agreed upon by modern macroeconomists?
- 36/80 Which of the following schools of thought is the MOST likely to advocate the use of fiscal policy in fighting recessions?
- 37/81 Economists frequently use GDP per capita to better reflect:
- 37/82 Which of the following choices would be a factor that contributes to a nation's rapid long-run economic growth?
- 37/83 The term “Human capital” describes:
- 38/84 Diminishing returns to physical capital implies that, when human capital per worker and the state of technology remain fixed, each successive increase in physical capital leads to:
- 38/85 The skills, training, and education possessed by workers contribute to economic growth and are known as:
- 38/86 Physical capital would include:
- 38/87 Diminishing returns to physical capital means that, when the amount of human capital per worker and the state of technology are held fixed, each increase in the amount of physical capital per worker leads to:
- 39/88 Roads, telephone lines, power facilities, and schools are examples of a nation's:
- 39/89 Greenhouse gas emission is an example of:
- 39/90 One of the most important types of infrastructure that government can provide is:
- 41/91 If a country sold more goods and services to the rest of the world than they purchased from the other countries, then the country has a:
- 41/92 When the dollar value of the euro is high:

Figure 41-2: International Capital Flows
(a) U.S.



(b) U.K.



41/93 Use the “**International Capital Flows**” **Figure 41-2**. At an interest rate of 4%, the quantity of loanable funds demanded by American borrowers is _____ the quantity of loanable funds supplied by American lenders.

41/94 Use the “**International Capital Flows**” **Figure 41-2**. At an interest rate of 4%, the excess of loanable funds supplied by _____ lenders will be exported to _____ borrowers.

42/95 The market in which foreign currencies are traded is known as the:

42/96 If the British pound appreciates against the dollar, this will make:

42/97 Purchasing power parity refers to:

43/98 A floating exchange rate is:

43/99 Fixed exchange rates are determined by the:

44/100 If a county follows a contractionary monetary policy, with everything else remaining unchanged, then it leads to:

AP Economics 2018-2019 Final Exam Krugman Text: Where to find the answers

1.	Module 1	35.	Module 16	69.	Module 31
2.	Module 1	36.	Module 16	70.	Module 32
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6.	Module 2	40.	Module 18	74.	Module 34
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9.	Module 4	43.	Module 19	77.	Module 35
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13.	Module 5	47.	Module 21	81.	Module 37
14.	Module 6	48.	Module 22	82.	Module 37
15.	Module 6	49.	Module 22	83.	Module 37
16.	Module 6	50.	Module 22	84.	Module 38
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18.	Module 7	52.	Module 23	86.	Module 38
19.	Module 8	53.	Module 25	87.	Module 38
20.	Module 8	54.	Module 25	88.	Module 39
21.	Module 8	55.	Module 25	89.	Module 39
22.	Module 10	56.	Module 26	90.	Module 39
23.	Module 10	57.	Module 27	91.	Module 41
24.	Module 10	58.	Module 27	92.	Module 41
25.	Module 11	59.	Module 28	93.	Module 41
26.	Module 11	60.	Module 28	94.	Module 41
27.	Module 12	61.	Module 28	95.	Module 42
28.	Module 12	62.	Module 29	96.	Module 42
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30.	Module 13	64.	Module 29	98.	Module 43
31.	Module 14	65.	Module 30	99.	Module 43
32.	Module 14	66.	Module 30	100.	Module 44
33.	Module 15	67.	Module 31		
34.	Module 15	68.	Module 31		