

Unit 7 Blueprint

Name: _____

7.1—Four Economies

Using the following scenarios, determine which economy is represented and explain how you know.

State planners in Country A met to decide what the country should focus on producing. After much deliberation, they decided it would be in the country's best interest to use their limited resources to produce automobiles instead of other consumer goods, such as electronics or textiles. The state planners passed their decision down to factories, and allocated to them raw materials, workers, and other resources needed to produce automobiles. Factories were then told how much they should produce with these resources and who the final products should be shipped to.

In Country B, business owners decide what to produce, how much to produce, and who to produce for. The CEO of Tarheelia Audio, one of the leading audio equipment producers in the country, recently decided to increase production levels of the company's newest MP3 player model, and at the same time decrease production levels of their most popular CD player. The reason for the emphasis on MP3 players is that demand for CD players has decreased dramatically as MP3 technology has taken over the market. Simply put, there is more profit to be made in the MP3 market.

Which of the 4 economies is Country A?

Which of the 4 economies is Country B?

How do you know?

How do you know?

In Country C, people rarely engage in market transactions. For the most part, they do not need to. Families grow their own vegetables and raise their own animals or hunt to get meat. Certain times get tough for people in Country C, like when the winters are particularly cold or animals change their migration patterns. For this reason, it is important that families stock up in "good times" and develop relationships with neighbors with whom they can share or trade.

In Country D, business owners make most economic decisions. As long as they abide by fair trade policies, they can decide what to produce, how to produce, and for whom to produce without government intervention. These decisions are made by business owners based on what happens in the market. For example, a computer manufacturer recently developed a new video gaming system, but decided to wait until closer to the holidays to release the system to the public because it believed anticipation among consumers would allow the company to charge a higher price for the system.

Which of the 4 economies is Country C?

Which of the 4 economies is Country D?

How do you know?

How do you know?

7.2—Taxes

- **What is the difference between mandatory spending and discretionary spending?**

- **Provide 2 examples of entitlement programs.**

- **What is a deficit?**

- **Who has the power of the purse?**

- **What is the difference between a progressive and regressive tax?**

- **Provide an example of a progressive tax.**

- **Provide an example of a regressive tax.**

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7.4—Money in the Economy

- Explain the 3 functions of money:
 - Medium of Exchange
 - Unit of Account
 - Store of Value
- ♦ What is inflation?
- ♦ What is the difference between GDP and GNP?

7.5—Fiscal and Monetary Policy

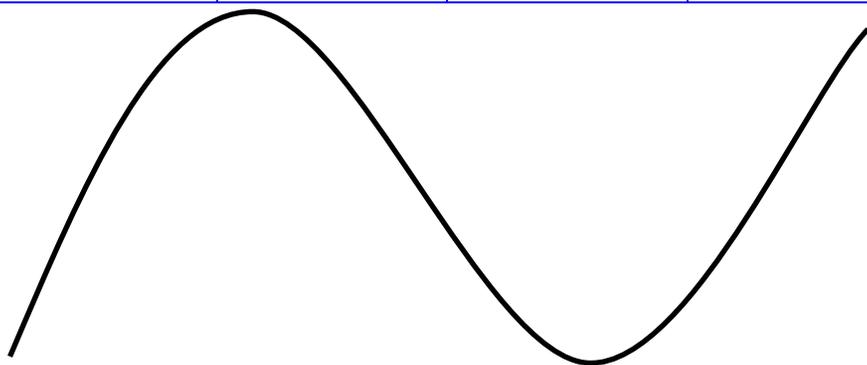
- ♦ What is the difference between fiscal and monetary policy?

Circle the correct answer to the following questions:

- ♦ The Consumer Price Index has gone up by 6.8% over the last year. The Federal Reserve wonders what it can do to help improve this situation.
 - a. Should the Fed use Fiscal or Monetary policies?
 - b. Should the Fed use loose money or tight money policies?
 - Decrease/ Increase the reserve requirements
 - Decrease/ Increase the Discount rate
- ♦ The economy has slowed over the last three months. Janet Yellen discusses this with her advisors and they discuss what policy changes they could make that would help to improve the situation.
 - a. Should the Fed use Fiscal or Monetary policies?
 - b. Should the Fed use loose money or tight money policies?
 - Decrease/ Increase the reserve requirements
 - Decrease/ Increase the Discount rate

7.5—Business Cycle

A. GDP increasing	B. GDP Decreasing	C. GDP High	D. GDP Low
E. Unemployment Low	F. Unemployment High	G. Unemployment Increasing	H. Unemployment Decreasing
I. Decreasing interest Rates	J. Increasing interest rates	K. High Interest rates	L. Low interest rates
M. Contraction	N. Peak	O. Trough	P. Expansion



7.6—International Economy

- ♦ **What is the difference between a trade deficit and a trade surplus?**
- ♦ **Describe 2 ways a country might use trade barriers.**
- ♦ **Describe the advantages and disadvantages of free trade .**
- ♦ **List and describe the three organizations that promote free trade.**
- ♦ **List and describe the two organizations that help developing countries.**