

## Taylor Economics 2

1. What economic principle from chapter 1 proves that as we spend more on health care, the less that can be spent on other things?
2. What does the gross domestic product measure?
3. In Table 2.1 what was the GDP in 2000?
4. According to Table 2.1 how much was spent on health care in 1995 ?
5. According to Table 2.1 how was the number in column 3 of 1997 calculated?
6. What is a relative price?
7. What is an economic variable?
8. What does it mean if two variables are correlated?
9. What is the difference if they are positively or negatively correlated?
10. What other description can be used to describe variables that are negatively correlated?
11. Compare and contrast causation and correlation.
12. What the heck does the circular flow diagram show? Focus on each market separately for your response.
13. What is capital in economic terms?
14. Describe an economic model.
15. What's the difference between law, model, and theory?
16. How specific are models compared to real phenomena?
17. Why is studying economics harder to predict than physical sciences?
18. Define positively related.
19. Define negatively related.
20. How are positively related and positively correlated similar?
21. What does scarcity force people to do?
22. Compare and contrast the information presented in the table and graph in Figure 2.9.
23. Define *ceteris paribus*.
24. Why would an economist utilize *ceteris paribus*?
25. What is microeconomics?
26. What is macroeconomics?
27. What book did Adam Smith write?
28. What does *laissez-faire* advocate?
29. What did Karl Marx see as the economic problem in the mid-1800s?
30. Define Capitalism.
31. Define Socialism.
32. A mixed economy isn't socialist, nor capitalist. What is it?
33. Compare and contrast normative and positive economics.
34. List 5 normative economic statements.
35. List 5 positive economic statements.
36. What prevents economics from being seen as an objective science?
37. What information does a time-series graph contain?
38. How can a time-series graph be manipulated for dramatic effect?
39. What do the two parallel lines at the bottom of Figure 2A.5 indicate?
40. Why are there two sets of numbers on the vertical sides of Figure 2A.6?
41. Compare and contrast the information in 2A.6 and 2A.7. Be sure to explain the vertical and horizontal axis in each graph.
42. How is slope measured?
43. Delta represents what?
44. Calculate the slope of moving from 2 to 3 on the x axis in Figure 2A.9.
45. Draw an upward sloping line.
46. Draw a downward sloping line.