

AP Economics Flashcards PDF

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What is the definition of economics?

Economics is the study of how individuals and societies allocate scarce resources to satisfy unlimited wants.

What are the two main branches of economics?

The two main branches of economics are microeconomics and macroeconomics.

What is the law of demand?

The law of demand states that, all else being equal, as the price of a good or service decreases, the quantity demanded increases, and vice versa.

What is GDP?

Gross Domestic Product (GDP) is the total monetary value of all final goods and services produced within a country's borders in a specific time period.

What is the difference between nominal GDP and real GDP?

Nominal GDP measures a country's economic output without adjusting for inflation, while real GDP adjusts for inflation to reflect the true value of goods and services.

What is opportunity cost?

Opportunity cost is the value of the next best alternative that is forgone when making a decision.

What is a market economy?

A market economy is an economic system in which decisions regarding investment, production, and distribution are based on supply and demand.

What is inflation?

Inflation is the rate at which the general level of prices for goods and services rises, eroding purchasing power.

What is fiscal policy?

Fiscal policy refers to the use of government spending and taxation to influence the economy.

What is monetary policy?

Monetary policy is the process by which a central bank manages the money supply and interest rates to achieve macroeconomic objectives.