

STUDY GUIDE FOR THE MID-TERM EXAM (MICROECONOMICS)

1. What are the ten principles of economics?
2. What do the principles of economics say about the most important microeconomic issues such as incentives, opportunity cost and trade?
3. What is the definition of Economics? What do economists study?
4. What are the main characteristics of economic models?
5. What method do economists follow to design economic theory?
6. What is the quantity supplied?
7. What is the quantity demanded?
8. What are the benefits of free trade?
9. How is equilibrium in a market defined?
10. When can disequilibrium occur?
11. Are the interests of consumers the same as those of producers?
12. What is the definition of opportunity cost? Think of an example.
13. What problems can be caused by a price control like a price ceiling? A price floor?
14. Rent control is an example of what kind of price control? What are the consequences of it?
15. When the price of a product changes, what happens to the amount demanded? To the amount supplied?
16. What is consumer surplus? How is it calculated?
17. What is price gouging? What is a logical reason for its occurrence?
18. What is the definition of demand?
19. What is the definition of supply?
20. What is the difference between a change in demand and a change in quantity demanded?
21. What are examples of demand shifters?
22. What are examples of supply shifters?
23. What is the difference between a change in supply and a change in the quantity supplied?
24. What is the PPF?
25. What important concepts are illustrated by the PPF?
26. What is a tariff?
27. When a price floor is imposed, what are the consequences?
28. What is the definition of a market failure?
29. What is the definition of price elasticity?
30. When is a demand considered relatively elastic?
31. When is a demand considered relatively inelastic?

Microeconomics – Final Exam Study Guide

The guide is set up as a series of questions about the concepts and terms covered on the final exam. They are in no particular order.

1. What is price elasticity of demand?
2. What are examples of goods with very high elasticity of demand (i.e., highly elastic)?
3. What are examples of goods with very low elasticity of demand (i.e., highly inelastic)?
4. What is a monopoly? What are possible reasons for the creation of monopolies?
5. What is a natural monopoly?
6. What is price discrimination? In what kind of market is more commonly practiced?
7. What is an oligopoly? What are its most important characteristics?
8. What is a cartel? What would make it successful?
9. What is a monopolistic competition? In what kind of market is most commonly found?
10. What is perfect competition or “competitive” market? What are its most important characteristics? What are real-life markets that are the closest illustrations to perfect competition?
11. In which market is advertising a very important strategy?
12. What is a public good?
13. What are the two characteristics of a public good?
14. What is market power?
15. What are externalities?
16. What are positive externalities?
17. What are negative externalities?
18. What important ideas are illustrated in the story “the tragedy of the commons”?
19. What are profits equal to?
20. What is marginal revenue?
21. What is marginal cost?
22. What is a sunk cost?
23. What is the relationship between revenues, costs, and the optimal point of production?
24. What are the definitions of marginal revenue?
25. What is the definition of marginal cost?
26. What is the definition of profits?
27. What is the relationship between MR, MC and profit maximization?
28. If $MR > MC$, is a firm maximizing profits? Is the firm producing less or more than optimal?
29. If $MR < MC$, is a firm maximizing profits? Is the firm producing less or more than optimal?
30. What are transaction costs?
31. What happens when government institutes price ceilings below the equilibrium price (e.g., rent control and other 'low' maximum prices)? How is this policy related to anti price gouging laws?
32. What happens when government institutes price floors above the equilibrium price (e.g., minimum wages and other 'high' minimum prices)?
33. What is the “prisoners’ dilemma”? How is it related to agreements among few firms?
34. What is the primary goal of a firm?
35. What is the theory of comparative advantage? How is it related to specialization and trade?
36. What is price gouging? What is most likely the reason for it?