

Study Guide 1 – Economics 102

- 1.** Define Economics. What is the difference between microeconomics and macroeconomics? Positive economics and normative economics? Give examples.
- 2.** What are the factors of production? Explain each and what is the returns to these factors of production?
- 3.** What do we mean by human capital?
- 4.** What is the difference between real and nominal variables? What do we mean by relative price?
- 5.** What do we mean by opportunity cost? What is the law of increasing opportunity costs? Understand how this law explains the bowed outward shape of the production possibilities curve.
- 6.** Show what is meant by economic growth using the PPF model.
- 7.** What do we mean by absolute and comparative advantage? What do we mean by the terms of trade? Why do countries trade?
- 8.** Who was Adam Smith? What is the invisible hand? What is laissez faire? What is the example of the pin factory?
- 9.** Understand the circular flow model of the economy.
- 10.** Understand and be able to explain fully the model of Supply and Demand. Use this model to explain various markets such as the gasoline market, automobile market or other markets.
- 11.** What do we mean by complements and substitutes? How do changes in complements and substitutes affect the demand for a specific good?
- 12.** What is the difference between a normal and an inferior good?
- 13.** What do we mean by a proportional, regressive and progressive tax? Give some examples.
- 14.** Understand the effect of price ceilings and floors.
- 15.** What do we mean by consumer surplus and producer surplus?

- 16.** If a tax is imposed on a good how does elasticity of supply and demand affect who pays the tax? Show.
- 17.** What do we mean by deadweight loss?
- 18.** What if a tax is imposed on the good? Show the new levels of consumer surplus, producer surplus and deadweight loss. What is the area of tax revenue?
- 19.** What do we mean by a regressive, proportional and progressive tax? Give examples of each.
- 20.** What do we mean by economic efficiency?
- 21.** What do we mean by market failure? What is an external cost and benefit?
- 22.** What is a public good? What is the free rider problem?
- 23.** What is an externality? What are examples of positive and negative externalities? How can the government internalize these externalities?
- 24.** What do we mean by elastic, inelastic and unit elastic?
- 25.** What is the relationship between Total Revenue, Marginal Revenue and the value of elasticity?
- 26.** Be able to understand income, cross-price and elasticity of supply.
- 27.** Everything else.