ECN 221 Fall 2000 -- Exam I Topics for Review

Chapter 1:
• What is economics?
• Scarcity
• Opportunity cost
• Positive vs. normative analysis
• Marginal analysis *
• Comparing marginal costs and benefits vs. comparing total costs and benefits
• Micro vs. Macro Economics
• Efficiency

Chapter 2:
• Budget line model * +
  - How to draw it.
  - Slope reflects opportunity cost.
  - Shifting (change income, change in one or both prices)
• Production possibilities frontier model * **
  - Why this shape? What does the shape mean about opportunity cost?
  - Shifting the PPF (changes in technology, availability of resources, quality of resources)
  - Trade, comparative advantage and the PPF
  - Trade-off: Investment vs. current consumption on a PPF
• The law of increasing costs **
• The principle of comparative advantage

Chapter 5:
• Price floors *
• Price ceilings *
• The price elasticity of demand *
  • elastic vs. inelastic D
  • determinants of elasticity
  • changes in elasticity along D curve
  • measuring elasticity between 2 points on a D curve (midpoint formula)
  • changes in revenue from price changes
• The income elasticity of demand
• The cross-price elasticity of demand
• The elasticity of supply *

Key to symbols:
* ⇒ Graphing applications exist for this topic
** ⇒ Many sub-topics exist for this topic
+ ⇒ Not covered well in text

Chapter 4:
• What is a “Market”?
• Demand (the law of, curve, and schedule) *
  - Determinants of demand (= demand shifters)
  - Normal vs. inferior goods
• Quantity demanded *
  - Change in quantity demanded
• Supply (the law of, curve, and schedule) *
  - Determinants of supply (= supply shifters)
• Quantity supplied *
  - Change in quantity supplied
• Equilibrium *
• Where does the equilibrium price (P*) come from?
• Shortage *
• Surplus *
• How changes in one market can affect another market. *
• Using individual demand curves to construct the market demand curve.