Micro Economics Review

1. Intro to Economics
    a. What is Economics?
        i. Scarcity and the factors of production
            1. Explain why scarcity and choice are basic problems of economics
            2. Identify the factors of production and two types of capital
            3. Explain the role of entrepreneurs
            4. Explain why all resources are scarce
            5. Explain the difference between shortage and scarcity
        ii. Opportunity Cost
            1. What is a trade-off?
            2. Describe why every decision involves trade-offs.
            3. Explain the concept of opportunity cost.
            4. Explain how people make decisions by thinking at the margin.
        iii. Production Possibilities Curve
            1. What is a production possibilities curve?
            2. Demonstrate how production possibilities curves show efficiency, growth, and cost.
            3. Why does a country's production possibility depend on its available resources and technology?
            4. What is the law of increasing costs?
    b. Economic Systems
        i. Free Market
            1. Draw and analyze a circular flow model of a free market economy.
            2. Describe why the market place is self-regulating.
                a. Define the invisible hand
                b. Define competition
            3. Identify the advantages of a free market economy.
            4. Who is Adam Smith? What were some of his ideas?
        ii. Centrally Planned Economies
            1. Describe how a centrally planned economy is organized.
            2. Analyze the centrally planned economy of the former Soviet Union.
            3. Identify the problems of a centrally planned economy.
        iii. Modern Economies
            1. What is laissez faire?
            2. What is a mixed economy?
            3. Explain the rise of mixed economic systems.
            4. Interpret a circular flow model of a mixed economy.
            5. What determines what to produce and how much to produce in a mixed economy?
    c. American Free Enterprise
        i. Promoting Growth and Stability
            1. Explain how the government tracks and seeks to influence business cycles
            2. What is Gross Domestic Product?
            3. Analyze how the government promotes economic strength.
            4. Analyze the effect of technology on productivity.
        ii. Providing Public Goods
            1. Identify examples of public goods
            2. What is an externality?
                a. What are positive externalities?
                b. What are negative externalities?
        iii. Providing a Safety Net
            1. Summarize the U.S. political debate on ways to fight poverty?

            2. What are the main programs through which the government redistributes income?

2. How Markets Work
    a. Demand
        i. Understanding Demand
            1. What is the law of demand?
            2. How does the substitution effect and income effect influence decisions?
            3. What is a demand schedule?
            4. Graph, label, and describe a demand curve.
        ii. Shifts of the Demand Curve
            1. What is the difference between a change in quantity demanded and a shift in the demand curve?
            2. What are the determinants that create changes in demand and that can cause a shift in the demand curve?
            3. What are inferior, complement, and substitute goods?
        iii. Elasticity of Demand
            1. What is elasticity?
                a. What does it mean to be elastic?
                b. What does it mean to be inelastic?
            2. How do you calculate elasticity of demand?
            3. What are the factors that affect elasticity?
            4. How do firms use elasticity and revenue to make decisions?
    b. Supply
        i. Understanding Supply
            1. What is the law of supply?
            2. What is a supply schedule?
            3. What is the relationship between elasticity of supply and time?
        ii. Costs of Production
            1. What is marginal product of labor?
            2. What is increasing marginal returns?
            3. What is decreasing marginal returns?
            4. What are the production costs of a firm?
                a. What is the difference between fixed and variable costs?
                b. What is total cost?
                c. What is marginal cost?
                d. What is marginal revenue?
            5. How does a firm choose to set output?
                a. Describe why MR=MC.
            6. How does a firm decide to shut down an unprofitable business?
        iii. Changes in Supply
            1. How do determinants like input costs create changes in supply?
            2. What are three ways that the government can influence the supply of a good?
            3. What is a subsidy? How may it affect supply?
            4. What is an excise tax?
            5. What is regulation?
    c. Prices
        i. Combining Supply and Demand
            1. What is equilibrium?
                a. Describe a market in disequilibrium.
                    i. What is excess supply?
                        1. Draw it on a graph.
                    ii. What is excess demand?
                        1. Draw it on a graph
            2. How does the government intervene in markets to control prices?
                a. What is a price ceiling?

            i. Draw this on a graph.
        b. What is a price floor?
            i. Draw this on a graph.
        c. What are the effects of price ceilings and floors?
    ii. Changes in Market Equilibrium
        1. What are the determinates that create changes in price?
        2. How does a market react to a fall in supply by moving to a new equilibrium?
        3. How does a market react to shifts in demand by moving to a new equilibrium?
    iii. The Role of Prices
        1. What is the role of prices in a free market?
        2. What are the advantages of a price-based system?
        3. What is the relationship between prices and the profit motive?

d. Market Structures
    i. Perfect Competition
        1. What are the four conditions that are in place in a perfectly competitive market?
        2. List two common barriers that prevent firms from entering a market.
        3. What is perfect competition?
        4. What is a barrier to entry?
    ii. Monopoly
        1. What are the characteristics of a monopoly?
        2. How are monopolies formed?
        3. What is price discrimination?
    iii. Monopolistic Competition and Oligopoly
        1. Describe characteristics and give examples of monopolistic competition.
        2. How do firms compete without lowering prices?
        3. Describe the characteristics and give an examples of oligopoly.
        4. What is a price war?
        5. What is collusion?
        6. What is price fixing?
    iv. Regulation and Deregulation
        1. How do firms use market power?
        2. List three market practices that the government regulates or bans to protect competition.
        3. What is regulation?
        4. What is predatory pricing?
        5. What is a merger?

Macro Economics Review

1. Money and Banking
    a. Describe the three uses of money
    b. Explain the six characteristics of money
    c. Describe a government savings bond.
    d. Understand the sources of money's value
        i. What makes the following valuable
            1. Commodity money
            2. Representative money
            3. Fiat money
    e. Vocabulary to know
        i. Medium of exchange
        ii. Barter
        iii. Unit of account
        iv. Store of value
2. Measuring Economic Performance
    a. Gross Domestic Product and Growth
        i. Explain how gross domestic product is calculated.
        ii. Explain the difference between nominal and real GDP
        iii. List the limitations of GDP
        iv. Identify the factors that influence GDP
        v. Why are final goods and services included in the calculation of GDP and intermediate goods are not?
        vi. Vocabulary to know
            1. Gross Domestic Product
            2. Intermediate goods
            3. Nominal GDP
            4. Durable and Nondurable goods
            5. Gross National Product
            6. Depreciation
            7. Disposable income
            8. Aggregate Supply
            9. Aggregate Demand
    b. Business Cycles
        i. Identify the phases of the business cycle
        ii. Describe the four key factors that keep the business cycle moving
        iii. What is stagflation?
    c. Economic Growth
        i. Describe how economists measure a nation's economic growth.
        ii. Describe how capital deepening contributes to economic growth.
    d. Economic Challenges
        i. Unemployment
            1. Describe frictional, seasonal, structural, and cyclical unemployment
            2. How is the unemployment rate calculated?
            3. Explain why full employment does not mean that every worker is employed.
            4. What does it mean to be underemployed?
        ii. Inflation
            1. Describe the causes of inflation.

2. Explain the difference between consumer expectations and economic performance.
3. Define the following:
    a. Inflation
    b. Purchasing power
    c. Consumer Price Index (CPI)
    d. Market basket
    e. Demand-pull theory
    f. Cost-push theory
    g. Deflation

iii. Poverty
1. Describe the causes of poverty
2. Define the following

3. Government and the Economy
    a. Taxes and Government Spending
        i. List the four characteristics of a good tax?
        ii. Define the following:
            1. Sales tax
            2. Property tax
            3. Corporate tax
            4. Proportional tax
            5. Progressive tax
            6. Regressive tax
            7. Incidence of a tax
    b. State and Local taxes
        i. Describe the difference between operating and capital budgets.
        ii. What is a source of tax revenue for local governments?
        iii. What is tax exempt?
        iv. What is the difference between real property and personal property?
    c. Fiscal Policy
        i. Define fiscal policy and explain how it affects the economy.
        ii. Explain how the government creates the federal budget.
        iii. Describe the effects of expansionary policy and contractionary policy
        iv. How do budget deficits add to the national debt?
        v. What is hyperinflation?
        vi. What is the crowding-out effect?
        vii. Define the following
            1. Budget surplus
            2. Budget deficit
            3.
    d. The Federal Reserve and Monetary Policy
        i. Describe the process of money creation.
        ii. Explain how the Federal Reserve uses reserve requirements, the discount rate, and open market operations to bring about changes in the money supply.
        iii. Describe the required reserve ratio.
        iv. What is the money multiplier formula?
        v. What are open market operations?
        vi. Why did the U.S. government start the Federal Reserve System?