**Micro Economics Review**

1. Intro to Economics
   1. What is Economics?
      1. 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
      2. 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.
      3. 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?
   2. Economic Systems
      1. Free Market
         1. Draw and analyze a circular flow model of a free market economy.
         2. Describe why the market place is self-regulating.
            1. Define the invisible hand
            2. Define competition
         3. Identify the advantages of a free market economy.
         4. Who is Adam Smith? What were some of his ideas?
      2. 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.
      3. 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?
   3. American Free Enterprise
      1. 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.
      2. Providing Public Goods
         1. Identify examples of public goods
         2. What is an externality?
            1. What are positive externalities?
            2. What are negative externalities?
      3. 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
   1. Demand
      1. 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.
      2. 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?
      3. Elasticity of Demand
         1. What is elasticity?
            1. What does it mean to be elastic?
            2. 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?
   2. Supply
      1. 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?
      2. 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?
            1. What is the difference between fixed and variable costs?
            2. What is total cost?
            3. What is marginal cost?
            4. What is marginal revenue?
         5. How does a firm choose to set output?
            1. Describe why MR=MC.
         6. How does a firm decide to shut down an unprofitable business?
      3. 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?
   3. Prices
      1. Combining Supply and Demand
         1. What is equilibrium?
            1. Describe a market in disequilibrium.

What is excess supply?

Draw it on a graph.

What is excess demand?

Draw it on a graph

* + - 1. How does the government intervene in markets to control prices?
         1. What is a price ceiling?

Draw this on a graph.

* + - * 1. What is a price floor?

Draw this on a graph.

* + - * 1. What are the effects of price ceilings and floors?
    1. 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?
    2. 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?
  1. Market Structures
     1. 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?
     2. Monopoly
        1. What are the characteristics of a monopoly?
        2. How are monopolies formed?
        3. What is price discrimination?
     3. 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?
     4. 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?