

Principles of Economics I
ECO - 201 Section - H004
Spring 2008
Study Guide: Midterm 1

Chapter 1: What is economics?

Know about the following:

- Scarcity
- Microeconomics vs. Macroeconomics
- Positive and Normative Economics
- Finding the slope of a line
- Finding the intercept
- Economic interpretation of the intercept and slope
- Convex vs. concave

Chapter 2: Scarcity, Choice, and Economic Systems

Know about the following:

- Concept of Opportunity Cost
- Opportunity Costs: Implicit vs. Explicit Costs
- Production Possibilities Frontier
- Reasons for operating inside the PPF: productive inefficiency, recessions
- Economic Growth
- Consumption versus Growth
- Specialization and exchange: absolute vs. comparative advantage
- The three methods of resource allocation
- The three types of resource ownership

Chapter 3: Supply and Demand

Know about the following:

- Market definition - Aggregation
- Two types of markets: perfect competitive vs. imperfect competitive
- (Change of) Quantity demanded vs. (change of) demand
- Law of demand
- Ceteris paribus
- Draw a demand curve based on a demand schedule
- Shifts vs. movements along the demand curve
- Factors that shift the demand curve: income, wealth, prices of related goods, population, expected prices
- Normal vs. inferior goods; Complements vs. substitutes
- (Change of) Quantity supply vs. (change in) demand
- Law of supply
- Draw a supply curve based on a supply schedule
- Shifts vs. movements along the supply curve
- Factors that shift the supply curve: input prices, price of alternatives, technology, number of firms, expected price
- Finding the equilibrium price and quantity
- What happens at the equilibrium when the following change: income, bad weather etc.