

**Preparation for Exam 1**  
**Principles of Microeconomics**  
**EC 110-001, Summer 2007**

**Economic Notions and Definitions (Key Concepts)**

**Chapter 1**

- Efficiency and Equity
- Scarcity
- Opportunity Cost
- Marginal Change
- Market Failure
- Externality (Positive and Negative)
- Market Power
- Productivity
- Inflation

**Chapter 2**

- Factors of production
- Production Possibilities Frontier
- Slope
- Positive Statement
- Normative Statement
- Microeconomics
- Macroeconomics

**Chapter 3**

- Absolute Advantage
- Comparative Advantage
- Imports
- Exports

## **Chapter 4**

- Competitive Market
- Price taker vs. Price Setter
- Monopoly
- Normal Goods vs. Inferior Goods
- Substitutes
- Complements
- Variables that shift the Demand curve
- Variables that shift the Supply curve
- Law of Supply
- Law of Demand
- Market Equilibrium
- Surplus (Excess Supply)
- Shortage (Excess Demand)

## **Chapter 5**

- Elasticity
- Price Elasticity of Demand
- Price Elasticity of Supply
- Determinants of the price elasticity of demand
- Determinants of the price elasticity of supply
- Inelastic, Unit Elastic, and Elastic curves
- Income Elasticity of Demand
- Cross-Price Elasticity of Demand
- Total Revenue

## **Chapter 6**

- Price Ceiling
- Price Floor
- Binding Constraint
- Rent Control
- Rent Subsidy
- Tax Incidence

## **Problems**

- Problems similar to the ones in Assignment 1
- Type of problems we worked in class (from Chapters 4, 5, and 6)