

Study Guide
October 10, 2007

Chapter 1

Know the problems involving Real vs. Nominal Prices.

Chapter 2

Know about the following:

- Supply-Demand Analysis
- Point and Arc Elasticities of Supply and Demand
- Short-run vs. Long-run Elasticities
- Type of problems we worked in class and on the homework

Chapter 3

Know about the following:

- Consumer Preferences: Assumptions and Indifference Curves (IC)
- Marginal Rate of Substitution, Convexity of ICs
- Budget Constraints: Effects of changes in Income and Prices
- Consumer Choice, Marginal Utility, and Corner solutions
- Type of problems we worked in class and on the homework

Chapter 4

Know about the following:

- Price and Income Consumption Curves, Engel curves
- Income and Substitution Effects for Normal, Inferior, and Giffen goods
- Network externalities: The Bandwagon and Snob Effect
- Interpretation of the coefficients in a demand relationship
- Type of problems we worked in class and on the homework

Chapter 5

Know about the following:

- Expected Value, Standard Deviation
- Preferences toward risk
- Type of problems we worked in class and on the homework