

ECON 101

Topics to Review for First Exam

The following is a non-exhaustive list of topics we have covered since the beginning of the semester. The order of the list does not necessarily indicate the relative importance of each topic. Keep in mind that it is important not only to **know** what each of these concepts is, but also how to **apply the concepts** to different problems.

- Economics Defined; microeconomics and macroeconomics
- Scarcity; why it exists, implications of scarcity
- Why we make choices, how we make choices (compare benefits v. costs)
- Resources & resource allocation
- Opportunity cost
- Sunk costs
- Marginal benefits, marginal costs
- Ceteris paribus
- Graphs:
 - Movements along curves vs. shifts in curves
 - Drawing and interpreting a graph

- Production Possibilities Curves:
 - Efficiency and inefficiency/unemployment; points on, inside, and outside the PPC
 - Shape/Slope and its relation to opportunity cost (increasing, constant, etc.)
 - Economic growth/decline and shifts in the PPF

- The Benefits of Trade
 - Comparative advantage & absolute advantage
 - Definition
 - Determining who has comparative & absolute advantage
 - Determining who will specialize in what
 - Determining the “price ranges” for trades (i.e., how much X will be exchanged for Y to make both parties better off)
 - Specialization
 - Why comparative advantage matters for trade

- Demand:
 - law of demand
 - shift versus movement along a demand curve
 - changes in demand versus changes in quantity demanded
 - factors that shift demand curves

- normal versus inferior goods
- complement and substitute goods

- Supply:
 - law of supply
 - shift versus movement along a supply curve
 - changes in supply versus changes in quantity supplied
 - factors that shift supply curves

- Equilibrium:
 - equilibrium price and quantity
 - shifts in demand and/or supply and their effects on equilibrium price and quantity
 - shortages and surpluses

- Consumer Surplus, Producer Surplus, and the Gains From Trade:
 - Definitions of Consumer Surplus (CS) and Producer Surplus (PS)
 - Computation of CS and PS
 - Changes in demand/supply and changes in CS and PS
 - PS and CS as the Gains from Trade
 - Deadweight Loss