

Econ Review for the AP Econ Exam

1. Define Scarcity
2. What does scarcity force people to do?
3. What is the term for an arrangement by which buyers and sellers can interact and exchange goods and services with each other?
4. Define Opportunity Cost.
5. What economic concept does specialization or division of labor lead to?
6. What is a production possibilities curve?
7. Points inside the PPC are considered...
8. Points along the PPC are considered...
9. Points beyond the PPC are considered...
10. Compare and contrast movements along curves and a curve shift.
11. What are the three basic economic questions?
12. How does price act as a signal in economics?
13. What does GDP measure?
14. Compare and contrast correlated and inverse relationships among variables.
15. Draw and label the circular flow model.
16. What is the difference between a table and a curve?
17. What does *ceteris paribus* mean to an economist?
18. What does it mean if an economy is mixed?
19. Compare and contrast positive and normative economics.
20. Compare and contrast demand curve and quantity demanded.
21. What does the law of demand tell us?
22. What things cause a shift in the demand curve?
23. What causes a movement along the demand curve?
24. How do we know if a good is a normal good?
25. How do we know if a good is an inferior good?
26. What does the law of supply tell us?
27. Compare and contrast supply schedule and quantity supplied.
28. What is the point where the supply and demand curves meet called.
29. What causes the supply curve to shift?
30. What happens if the government establishes a price floor that is above the market price?
31. What results from a price ceiling that is established below the market price?
32. What is the formula for determining elasticity?
33. Items that are elastic have an elasticity that is...
34. Items that are inelastic have an elasticity that is...
35. What does utility measure?
36. What is marginal benefit?
37. Define diminishing returns with an example.
38. Define consumer surplus and show where it shows up on a curve.
39. Organizations that produce goods or services are called what?
40. Compare and contrast price taker and price maker.
41. How is revenue calculated?
42. What does $P=MB$ tell us about consumers?
43. What does $P=MC$ tell us about producers?
44. Define producer surplus and show it on a curve.
45. Why are sellers price takers in a competitive market?
46. How is marginal cost calculated?
47. What data do side-by-side graphs share in common?

48. In all side-by-side graphs what types of firms are represented in the left and right graphs?
49. How can taxes and subsidies be used by government to account for the true costs and benefits of economic transactions (externalities)?
50. Look at and understand table 15.3.
51. How does the free rider problem pose a problem for government?
52. What are public goods?
53. Explain how calculating how much tax someone owes requires multiple calculations depending upon how many tax brackets people's incomes spans. For instance using 14.2 you can't say that someone making 80K would pay $.28 * 80K$. How do you compute the tax owed?
54. Explain monopsony.
55. How can labor unions be seen as a limiting force upon people's ability to work?
56. Why does $MRP=W$ work for determining how much labor to employ?
57. Compare and contrast nominal and real wages.
58. Explain how HHI is used to determine whether mergers will be allowed.
59. How is a duopoly just a simplified version of oligopoly?
60. What is the prisoner's dilemma?
61. What causes monopoly to be less than efficient?
62. Compare and contrast the demand curve that monopolies and individual firms face.
63. Compare and contrast MR for monopolies and individual firms.
64. How do you tell what portion of a demand curve is elastic if given a Marginal Revenue curve?
65. Explain economies of scale.
66. Explain diseconomies of scale.
67. How do you calculate economic profit.
68. How do you calculate accounting profit.
69. When economic profits are zero, how does one figure out what normal profits are?
70. How do short term profits in a competitive market become zero in the long run?
71. How do money-losing companies decide whether or not to shut down their operation (shut down point)?
72. What is an isoquant?
73. Draw a typical cost curve for a company which includes MC, ATC, AVC and memorize their position because they will never be in a different arrangement.
74. What is the distance between ATC and AVC known as?
75. Memorize Figure 8.9 so you'll know how to draw a profitable company, one that breaks even, and one that is losing money.
76. What is pareto efficiency?
77. How does product differentiation cause an individual company to behave like a monopolist?
78. Compare and contrast cooperative and noncooperative outcomes in a payoff matrix.
79. Explain dominant strategy in game theory.
80. How is dominated strategy different from dominant strategy?
81. How is Nash equilibrium achieved?
82. Aren't you glad this is the last economics assignment you'll have for the rest of the year?