I) Chapter 1: The Interconnected Economy

1) What is the definition of Economics?
2) List and explain the four categories of economic resources. Give examples of each.
3) Define *ceteris paribus*. Why is this concept useful?
4) What are economic theories?
5) Why are economic theories useful? What are their limitations?
6) What are the economic ideas of the economist *Milton Friedman*? (see handout)
7) What are the economic ideas of the economist *Adam Smith*? (see handout)
8) What are the economic ideas of the economist *Karl Marx*? (see handout)
9) Compare and contrast the basic ideas of free market capitalism, mixed capitalism, socialism, and command economy/communism.

II) Chapter 2: Choice and Scarcity

1) Define opportunity cost.
2) How can we use the notion of opportunity cost and cost-benefit analysis to make sound decisions?
3) What is the opportunity cost of a college education?
4) Explain the significance of the PPC.
5) Why would an economy's production possibilities curve (PPC) shift *outward*?
6) Why would an economy's production possibilities curve (PPC) shift *inward*?
7) Given its present level of resources and existing techniques of production, an economy is capable of producing any combination of products at what point(s) on the PPC?
8) Analyze and calculate opportunity cost using a PPC graph.

II) Chapters 3 & 6: International Trade and Trade Policy

1) Explain the concepts of absolute advantage and comparative advantage.
2) Calculate comparative advantage, given the absolute numerical production outputs between two people or countries.
3) What is a trade barrier? Give examples.
4) Do economists generally prefer quotas or tariffs? Why?
5) What are the effects of tariffs on imported products? On domestic products?
6) Why do elected leaders pass protectionist legislation?
7) List and explain the arguments for and against free trade.

III) Chapter 4: Demand and Supply

1. Explain the law of demand and the law of supply. Give examples.
2. What is the difference between a change in demand and a change in quantity demanded?
3. Define substitute/competing goods and list examples.
4. Define complementary goods and list examples.
5. List and explain the determinants/factors that cause a change in demand.
6. List and explain the determinants/factors that cause a change in supply.
   a. Define market equilibrium. What three conditions are met at this point?
7. Be able to interpret a change in market equilibrium when supply and demand changes on a graph.
8. Explain and calculate consumer surplus and producer surplus.
9. Explain deadweight loss. When may this loss occur?
10. Analyze a market scenario using the supply and demand graph model:
    a. show appropriate change in supply, demand, and market equilibrium
    b. make sure that you are able to analyze the change in market equilibrium
       1. explain the market change in price, quantity demanded and quantity supplied.
    c. provide the appropriate determinant of demand and explain why it changed supply or demand.
    d. state whether the law of supply or the law of demand is applicable.

IV) Chapter 5: Labor and Financial Capital Markets

a. Compare and contrast price floors and price ceilings.
b. What market effects do price floors tend to create? Give examples.
c. What market effects do price ceilings tend to create? Give examples.
d. Is the minimum wage a price floor or ceiling? What typically is the effect of the minimum wage on the labor markets?
e. When a surplus of a product occurs in the market, how will suppliers respond to eliminate that surplus?
f. When a shortage of a product occurs in the market, how will suppliers respond to eliminate that shortage?
g. Be able to calculate a surplus and a shortage from a supply and demand graph.
h. Be able to use the supply and demand model to draw the effects of a price floor or a price ceiling.

V) Chapter 7: Elasticity

a. Define price elasticity of demand.
b. If the price of a product reduced by 10 percent and the quantity demanded increases by 20 percent, is demand elastic or inelastic? Explain.
c. What types of goods have elastic demand? Inelastic demand? Why?
d. What are the primary determinants of the elasticity of demand of any good?
e. Suppose that the U.S. government completes a study that states the elasticity of demand for teen cigarette use is 1.5 percent. What does this mean?