I) **Public Choice: Chapter 20**
   a. Explain the theory of *rational ignorance*. How does it explain low voter turnout in the United States?
   b. When a voting cycle occurs, why might a majority-approved choice not be approved?
   c. List and explain the somewhat contradictory ideas about the relationship between markets and government.
   d. Why is regulatory capture a problem when the government regulates an industry?
   e. Why is pork barrel spending a problem?
   f. Explain the differences in liberal and conservative ideology when discussing markets and the government’s role in the economy.

II) **Chapter 13: Competition and Public Policy**
   a. What are antitrust laws? What do they allow the government to do?
   b. Explain the Herfindahl-Hirschman Index and the Four-Firm Concentration Ratio. How is each used to analyze a market?
   c. List and explain each of the restrictive practices that are considered harmful to consumers and are illegal.
      1. minimum resale price maintenance agreement
      2. exclusive dealing.
      3. predatory pricing.
      4. tie-in sales
      5. bundling
   d. Compare and contrast cost-plus regulation vs. price-cap regulation.
   e. Explain how regulators decide if a proposed merger would be acceptable.

III) **Environmental Protection and Negative Externalities: Chapter 14**
   a. Define negative externality and give examples.
   b. Explain why social costs equals the sum of private costs plus external costs.
   c. What happens to a firm’s product price and level of output when they are forced to pay the social costs of producing their product?
   d. If the firms in an industry are forced to internalize the external costs they create, how is the burden of paying those costs is changed between buyers and sellers?
   e. Explain the purpose of a pollution tax.
f. What is the Coase Theorem? How is it relevant to eliminating negative externalities?
g. Explain each of the following ways to reduce a negative externality:
   1. Command and control
   2. Tax
   3. Marketable permits
   4. Property rights
h. What is the significance of the 1969 incident of the Cuyahoga River in Ohio spontaneously bursting into flames?
i. Why would a typical U.S. business fail to take the social costs of pollution into consideration during the development of their operating strategies?

IV) **Positive Externalities, Technology and Public Goods: Chapter 15**

   a. Define positive externality and give examples.
   b. Define external benefit and give examples.
   c. Will pure private goods tend to be under-produced or over-produced in a market economy? Explain why.
   d. Explain the difference between private goods and public goods. Give examples.
   e. How may private goods still yield positive benefits to society? Give examples.
   f. What is the free rider problem? How can we avoid this problem?
   g. Explain the rival/non-rival and the excludability/non-excludability aspects of public goods.
   h. What is the role of market competition and the creation of new technologies?
   i. Why do U.S. economists commonly refer to externalities as an example of market failure?
   j. Describe the various methods that the government uses to promote technology.

V) **Issues in Labor Markets - Unions, Discrimination, Immigration: Chapter 17**

   a. Why do workers decide to form a labor union?
   b. What has been the trend of workers joining unions in the United States?
      1. Explain this in terms of absolute numbers.
      2. Explain this in terms of a percentage of the population.
   c. Explain the arguments that would most likely be presented by a critic of labor unions.
   d. As a result of the American workers' ability to sell their labor through a union, how does this affect the market equilibrium wages and change the way profit-making firms pay wages?
   e. Compare the levels of productivity of union and non-union workers. What does this say about the productivity of the typical union worker?
   f. How does union membership compare with other industrialized, high-income countries of the world?
   g. Of the many available policies to reduce discrimination by race and gender in the U.S. labor market, which would be the most controversial?
   h. Identify the various pay gaps of the labor market in terms of race, gender and education.
      1. What explains each of these pay gaps?
   i. If U.S. immigration consists of mainly low-skilled workers, how would an increase in immigration affect the wages of low-skilled workers? On high-skilled workers?
   j. If U.S. immigration consists of mainly high-skilled workers, how would an increase in immigration affect the wages of high-skilled workers? On low-skilled workers?
   k. Describe the costs and benefits that immigrants impose on markets, federal government, state governments and local governments.
VI) **Information, Risk and Insurance: Chapter 18**

a. Define *moral hazard*. How does this lead to people engaging in risky behavior?

b. Explain how low-risk individuals may end up paying higher premiums, even though their individual choices would be considered low risk.

c. How does *adverse selection* play a role in consumer and seller choices in the market?

d. How does *imperfect information* play a role in consumer and seller choices in the market?

e. How does a deductible and a co-payment affect consumer and seller choices in the insurance market?

f. State insurance regulators typically attempt to accomplish what two things?

g. How does the fundamental law of insurance affect state insurance regulators when they pass rules that attempt to set low premiums for insurance?

h. What characteristics of health care and insurance set the United States apart from every other high-income country in the world?

VII) **Chapter 1: The Interconnected Economy**

a. List and explain the four categories of economic resources. Give examples of each.

b. Why are economic theories useful? What are their limitations?

VIII) **Chapter 2: Choice and Scarcity**

a. Define opportunity cost.

b. What is the opportunity cost of a college education?

c. Explain the significance of the PPC.

d. Analyze and calculate opportunity cost using a PPC graph.

IX) **Chapters 3 & 6: International Trade and Trade Policy**

a. Explain the concepts of absolute advantage and comparative advantage.

b. What are the effects of tariffs on imported products? On domestic products?

X) **Chapter 4: Demand and Supply**

a. Explain the law of demand and the law of supply. Give examples.

b. Define market equilibrium. What three conditions are met at this point?

c. Be able to interpret a change in market equilibrium when supply and demand changes on a graph.

XI) **Chapter 5: Labor and Financial Capital Markets**

a. What market effects do price floors tend to create?

b. What market effects do price ceilings tend to create?

c. Is the minimum wage a price floor or ceiling? What typically is the effect of the minimum wage on the labor markets?

XII) **Chapter 7: Elasticity**

a. Define price elasticity of demand.

b. What are the two primary determinants of the elasticity of demand of any good?

XIII) **Costs and Cost Curves: Chapter 9**

a. Explain and give examples of each of the following type of costs:

   1. Fixed costs
   2. Variable costs
   3. Sunk costs
   4. Marginal costs
   5. Average variable costs
   6. Average total costs
   7. Marginal revenue
b. Be able to calculate marginal costs, fixed costs and average total costs from a chart.
c. Be able to calculate the profit maximizing point, total revenue and overall profit from a graph depicting a firm operating in a competitive (monopolistic competition or oligopoly) market.

XIV) The Macroeconomic Perspective: Chapter 21
a. List and explain the four phases of the business cycle.
b. What are the main components of GDP when measuring with what is demanded?

XV) Economic Growth: Chapter 22
a. What is the aggregate production function? Describe each component.
b. What is capital deepening? How can the United States increase its capital deepening?

XVI) Unemployment: Chapter 23
a. What are the different types of unemployment and what causes each type of unemployment?
b. What are the guidelines used by the Bureau of Labor Statistics to count a person as unemployed?
c. Why does the unemployment rate not reflect the actual condition of the labor markets?

XVII) Inflation: Chapter 24
a. Who is most likely to benefit and to suffer from unanticipated inflation?
b. Explain how the Consumer Price Index attempts to measure the rate of inflation.