Some tips for studying for the second midterm in Econ 1101

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Helpful resources for studying

- Lecture notes (should be very similar across different groups!)
- Sample tests posted on Moodle (along with answer guides)
- 3 recitation worksheets (very helpful!)
- 3 additional readings posted on Moodle (# 4,5 and 6)
- Mankiw textbook (in case you have trouble understanding concepts)

Test coverage and what to emphasize (1)

1. Externalities
   - Distinction between positive and negative ones and examples
   - Make sure you understand the graphs and know how to interpret welfare changes ("parallelograms")
   - Know the differences in policies that address externalities (and the consequences they induce)
2. International trade
   - Know what happens when a SOE opens to trade (and how it affects welfare!)
   - Be able to determine the PPF and interpret it
   - Be able to determine the absolute/comparative advantages and show the gains of trade
   - Know how the picture changes when we face increasing returns to scale
   - Understand different trade patterns observed in the world (and what they result from)

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Test coverage and what to emphasize (2)

3. Different nature of goods
    - Know what excludable/rivalrous means with respect to goods
    - Be able to give examples of private, public, club, common goods
4. Consumer Theory
    - Be able to draw a budget constraint line and interpret the slope (extension to PPF)
    - Understand 3 basic types of preferences and how they differ (interpret the MRS)
    - Be able to solve the consumer's problem (find OCB)
    - Understand how the substitution and income effects work when there is a change in price
    - Be able to make inference about the income elasticity of demand based on the change in the OCB

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Test coverage and what to emphasize (3)

5. Producer theory
   - Know different types of costs a firm may have
     - economic vs. accounting
     - fixed vs. variable
     - total vs. average vs. marginal
   - Understand the implications of diminishing marginal returns
   - Interpret economies of scale (and give examples)
   - Know what perfect competition means
   - Be able to solve a firm's profit maximization problem and derive the supply curve
   - Understand the difference between the short and long run
   - Be able to find the industry supply (and equilibrium) in the short and long run
   - Understand how this theory is applied to analyze the impact of international trade

TIME FOR QUESTIONS!

GOOD LUCK ON YOUR TEST!