

Year 1 Micro



Nature of Economics

1. What is a Social Science?
2. What is an Economic Model?
3. Why do Economists use Models?
4. What does ceteris paribus mean?
5. Why is it difficult for Economists conduct scientific experiments?
6. What is a positive statement?
7. What is a normative statement?
8. Which 3 questions does the study of economics seek to answer?
9. What does 'scarcity' mean?
10. What is meant by a 'renewable resource'?
11. What is meant by a 'non-renewable resource'?
12. What is the Economic Problem?
13. What are the 4 factors of production?
14. What is the reward for enterprise?
15. What is the reward for Capital?
16. What is the reward for Land?
17. What is the reward for Labour?
18. Why do opportunity costs exist?
19. Give an example of an opportunity cost for a consumer
20. Give an example of an opportunity cost for a firm
21. Give an example of an opportunity cost for a Government
22. What is a Production Possibility Frontier/Curve?
23. Illustrate a point on the PPF at which the productive potential of the economy is maximised
24. Illustrate a point on the PPF which is unattainable at the current level of technology
25. Illustrate a point on the PPF where the allocation of resources is efficient
26. Illustrate a point on the PPF where the allocation of resources is inefficient
27. Illustrate actual economic growth on a PPF diagram
28. Illustrate potential economic growth on a PPF diagram
29. Explain 2 causes of an outward shift in the PPF
30. Explain 2 causes of an inward shift in the PPF
31. Illustrate opportunity cost on a PPF
32. What is the difference between consumer goods and capital goods?
33. What is the difference between actual and potential growth?
34. Explain why we would not want 100% of our production to be on capital goods
35. Explain why we would not want 100% of our production to be on consumer goods



Demand and Supply

36. What is utility?
37. What do consumers seek to maximise?
38. What do firms seek to maximise?
39. What is irrational behaviour?
40. Explain 3 reasons why agents may behave irrationally
41. What is bounded rationality?
42. What is demand?
43. Why are demand curves downward sloping?
44. Illustrate an extension in demand
45. What could cause an extension in demand?
46. Illustrate a contraction in demand
47. What could cause a contraction in demand?
48. Give 3 conditions (shifters) of demand
49. What is the law of diminishing marginal utility?
50. What is supply?
51. Why are supply curves upward sloping?
52. Illustrate an extension in supply
53. What could cause an extension in supply?
54. Illustrate a contraction in supply
55. What could cause a contraction in supply?
56. Give 3 conditions (shifters) of supply?
57. What is equilibrium price?
58. What is equilibrium quantity?
59. What is a shortage?
60. Referring to extension and contraction, explain how shortages are resolved.
61. What is a surplus?
62. Referring to extension and contraction, explain how surpluses are resolved.
63. Explain 3 functions of the price mechanism
64. What is consumer surplus?
65. How do we illustrate consumer surplus on a diagram?
66. What is producer surplus?
67. How do we illustrate producer surplus on a diagram?
68. What is total economic welfare?



Elasticities

68. What is the definition of price elasticity of demand?
69. Give the formula for PED
70. What is meant by 'price elastic demand'?
71. What values would constitute 'price elastic demand'?
72. Draw a price elastic demand curve
73. What is meant by 'perfectly price elastic demand'?
74. What values would constitute 'perfectly elastic demand'?
75. Draw a perfectly elastic demand curve
76. What is meant by 'price inelastic demand'?
77. What values would constitute 'price inelastic demand'?
78. Draw a price inelastic demand curve
79. What is meant by 'unit elastic demand'?
80. What value would constitute 'unit elastic demand'?
81. Draw a unit elastic demand curve
82. Give 3 factors which influence the PED of a product
83. What is the definition of cross price elasticity of demand?
84. Give the formula for XED
85. What is the definition of substitute goods?
86. What values of XED would constitute a substitute?
87. What is the definition of complementary goods?
88. What values of XED would constitute complementary goods?
89. What would an XED of 0 indicate?
90. What is the definition of income elasticity of demand?
91. Give the formula for YED
92. What is the definition of an inferior good?
93. What values of YED would constitute an inferior good?
94. What is a normal good?
95. What values of YED would constitute a normal good?
96. What is the definition of a luxury good?
97. What values of YED would constitute a luxury good?
98. What is another term for a luxury good?
99. What is the term for a normal good which is not a luxury good?
100. Why do firms need to know the price elasticity of demand for their products?
101. Under what circumstances would an increase in price increase the revenue gained from a product?
102. Under what circumstances would an increase in price decrease the revenue gained from a product?
103. Under what circumstances would an increase in price leave revenue unchanged?
104. Why do firms need to know the cross price elasticity of demand for their products?
105. Why do firms need to know the income price elasticity of demand for their products?
106. Under what circumstances would a recession increase the sales of product?



Elasticities

- I07. What is the definition of price elasticity of supply?
- I08. Give the formula for PES
- I09. What is meant by 'price elastic supply'?
- I10. What values would constitute 'price elastic supply'?
- I11. Draw a price elastic supply curve
- I12. What is meant by 'perfectly price elastic supply'?
- I13. What values would constitute 'perfectly elastic supply'?
- I14. Draw a perfectly elastic supply curve
- I15. What is meant by 'price inelastic supply'?
- I16. What values would constitute 'price inelastic supply'?
- I17. Draw a price inelastic supply curve
- I18. Give 3 factors which influence the PES of a product
- I19. What is meant by 'perfectly price inelastic demand'?
- I20. What values would constitute 'perfectly inelastic demand'?
- I21. Draw a perfectly inelastic demand curve
- I22. What is the economic definition of the long run?
- I23. Why is PES more elastic in the long run?



Market Failure

124. What is the definition of market failure?
125. Name 3 types of market failure
126. What is an external benefit?
127. What is an external cost?
128. What is a social benefit?
129. What is a social cost?
130. On a negative production externality diagram, how do you find socially optimum equilibrium?
131. On a negative production externality diagram, how do you find private equilibrium?
132. On a negative production externality diagram, how do you find Under/over consumption in a private market?
133. On a positive consumption externality diagram, how do you find social equilibrium?
134. On a positive consumption externality diagram, how do you find private equilibrium?
135. On a positive consumption externality diagram, how do you find under/over consumption in a private market?
136. What are the two features of public goods?
137. What is the name for a good which displays only one feature?
138. What is non-excludability?
139. What is non-rivalry?
140. What is the free rider problem?
141. Are public goods under- or over-consumed in the free market and why?
142. Give a reason why governments may choose not to provide public goods
143. Give an alternative to full state provision
144. What is information asymmetry?
145. Why is information asymmetry a form of market failure?
146. What is adverse selection?
147. What is moral hazard?
148. How can independent reviews help moral hazard?
149. What are the disadvantages of independent reviews?
150. What are merit goods?
151. What are demerit goods?



Government Intervention and Failure

152. What is a tax?
153. What is the difference between an indirect and a direct tax?
154. What are the two types of indirect tax?
155. What is the difference between the two types of indirect tax?
156. What is producer tax incidence?
157. What is consumer tax incidence?
158. What is deadweight loss?
159. What is a subsidy?
160. Under what circumstance would tax burden fall mainly on the consumer?
161. Under what circumstance would tax burden fall mainly on the producer?
162. Explain in words why taxes result in deadweight loss
163. Give 2 benefits of indirect taxes over other forms of intervention to correct a market failure
164. Give 2 disadvantages of indirect taxes over other forms of intervention to correct a market failure
165. What is a subsidy?
166. Give 2 reasons why governments may wish to subsidise a product
167. Give 2 benefits of subsidies over other forms of intervention to correct a market failure in a market of your choice
168. Give 2 disadvantages of subsidies over other forms of intervention to correct a market failure in a market of your choice
169. Explain in words why subsidies result in deadweight loss
170. Under what circumstances would a tax generate a lot of government revenue?
171. Under what circumstances would a tax result in a significant decrease in the quantity of the good consumed?
172. Under what circumstances would a subsidy result in a significant fall in price for the consumer?
173. Under what circumstances would a subsidy result in a significant increase in price for the producer?
174. Under what circumstances would a subsidy result in a significant increase in the quantity of a good consumed?
175. What is a minimum price?
176. Give 2 reasons why a government may wish to put a minimum price on a product
177. Does an unguaranteed minimum price cause a shortage or a surplus?
178. If an unguaranteed minimum price is imposed, does a firm's revenue increase or decrease?
179. What is a guaranteed minimum price?
180. If a guaranteed minimum price is imposed, does a firm's revenue increase or decrease?
181. Give a benefit of guaranteed minimum prices over unguaranteed minimum prices
182. Give a disadvantage of guaranteed minimum prices over unguaranteed minimum prices
183. If a guaranteed minimum price is imposed, does firm's revenue increase or decrease?



Government Intervention and Failure

184. What is a maximum price?
185. Give 2 reasons why a government may wish to put a maximum price on a product
186. What is a tradeable pollution permit?
187. Explain 3 benefits of tradeable pollution permits
188. Explain 3 disadvantages of tradable pollution permits
189. Explain 3 reasons why the government might want to provide goods
190. Explain 2 disadvantages of state provision
191. Explain a benefit of information provision
192. Explain 2 disadvantages of information provision
193. What is ('command and control') regulation?
194. What forms might regulation take?
195. Explain a benefit of regulation
196. Explain 2 disadvantages of regulation
197. What is meant by 'government failure'?
198. Give 2 causes of government failure

