**FP Economics Review – List of topics:**

**Unit 1: Fundamental Economics Concepts**

1. **The Basic Economic Problem**
   1. Scarcity: limited resources vs. unlimited wants;
   2. Why we have to make choice and what is the opportunity cost of a decision;
   3. How is a decision made? Marginal benefits vs marginal costs.
2. **Economic systems - Planned Economy and Market Economy, Mixed economy** 
   1. Economic system – How resources are allocated, What to produce, how to produce and to whom the products will be distributed to;
   2. How the decisions are made in planned economy and market economy;
   3. Advantages and disadvantages of each.
3. **Some great but different economists and their contributions – Adam Smith, Keynes, Marx,**
4. **Factors of production/Resources** – understand the definitions and be able to give examples.
   1. Land
   2. Labor
   3. Capital
   4. Entrepreneurship
5. **PPF**
   1. How to draw a PPF? How to label the diagram?
   2. How to demonstrate the following situation in PPC?
      1. Efficiency vs. inefficiency use of resources
      2. Allocation of resources on different products
      3. Scarcity
      4. Opportunity cost of increasing one
      5. Potential growth and actual growth
6. **Difference between macro and micro- economics**
7. **Difference between normative and positive statements**

**Unit 2: How do markets work**

1. **Supply and Demand**
   1. Definition of D and S;
   2. Law of diminishing marginal utility/marginal return
   3. Quantity demanded vs. demand; quantity supplied vs. supply
   4. Indicate in diagram - Change in quantity demanded vs. change in demand; change in quantity supplied vs. change in supply;
   5. Factor that causes change in demand or supply;
   6. Normal good vs. inferior good; Substitutes vs. complements;
2. **Market equilibrium**
   1. Definition market equilibrium, assumption of free market;
   2. How did the market reach an equilibrium from excess demand or excess supply;
   3. Is equilibrium efficient? Why?
   4. Indicate in diagram the change of equilibrium due to changes in the market.
3. **Market Failure**
   1. Definition: failure to allocate resources efficiently to generate optimal social benefit.
   2. Externalities:
      1. private benefit/cost vs. external benefit/cost; externalities definition;
      2. Social costs vs. social benefits;
      3. Merit goods vs. demerit goods, why it’s a market failure.
   3. Methods for correction: taxes and subsidies; how they influence the market. Show the impact of taxes and subsidies in the market diagram.
   4. Special case of market failure: Public good
      1. Public good
      2. Common resources

**Unit 3: Sustainable development**

1. **The concept of development and sustainability**
   1. What is economic development? Multidimensional concept including increasing income, access to health, education, infrastructure, social justice, equality, environmental factors, etc. The improvement in well-being.
   2. Concept of sustainability – economic, social, environmental aspects. For the future.
   3. UNDP’s SDG 17 – The goals target for which year? Including which aspects (economic, social inclusion, environment, institutional factors, global partnership)
2. **Income, poverty and economic growth**
   1. National income measurement
      1. The circular flow of income model – The entities, the flows, what does this model show;
      2. Definition of GDP, what does GDP measure exactly?
      3. How to measure GDP? Approaches, Expenditure approach, Income approach & output approach; indicate GDP in the circular flow model.
      4. GNI vs GDP
      5. GDP/GNI per capita
      6. real GDP vs. nominal GDP
      7. $ vs $ PPP.
   2. Poverty
      1. Definition- absolute poverty, relative poverty
      2. Implication of poverty – what are the life like for people live in poverty
      3. Poverty cycles – what causes poverty cycles? Illustration of poverty cycle.
   3. Economic growth
      1. What is economic growth? Implication to the people and nation.
      2. How is growth measured?
      3. How to illustrate growth in PPC?
      4. What can lead to economic growth? quantity and quality improvement in factors of production, technology advancement, institutional factors, international trades, etc. Give examples.
      5. A big question: How does economic growth relate to economic development? Will it contribute? Or not? Why?
3. **Measuring and tracing development**
   * 1. HDI and single indicators.
     2. How has the world developed in general in the past century, in general? – wealthier, healthier, diverged, among nations vs within nations, disasters & economic recessions. How to read the charts?
     3. Are we heading to the right direction? Understanding the SDGs, status of the world to SDGs.
4. **Strategies for development**
   * 1. Domestic efforts on the sustainable development – spending on education, health care, infrastructures, legislations, etc.
     2. Foreign aids – examples, functions of foreign aids, concerns of foreign aids.

**Some economics exam skills**

1. Diagrams

- Appropriate labels are fundamental;

- A diagram must have a purpose, what do you want to show in the diagram? In this sense, a good diagram normally contains a movement of curve or points, or shows a difference in two variables;

- A diagram must be explained. You need to refer to the labels in your explanation.

2. Structured essays

- You need to interpret the question at beginning, to show your understanding on what the question is asking for. So definitions of the key terms are crucial.

- A short question is normally asking for an explanation of a concept, analyzing the causes of a change, the mechanism of a policy or consequences of an action. Make sure you know the purpose of the question and answer to the question accurately and briefly.

- Wherever appropriate you have to apply the economic concepts or theories in you explanation.

- If a question asks you to evaluate an event or discuss an issue, you need to develop your own arguments. You also need to balance your arguments, goods vs. bads, impacts on different people or different sides of an issue; short-run effects vs long-run effects.

- A real life example with clear explanation can make your arguments stronger.