

# ECON 1B Final Exam Review

CSUS

You are responsible for ALL material  
taught in class this semester

# Distribution of Final Exam Questions

- There will be 40 multiple choice questions (each worth 2.5 points) on the final exam distributed as follows:
- Chapters 1,2,3,4,5,6,7,16
  - 3 Questions from each chapter
- Chapter 8,9,10,13
  - 4 Questions from each chapter

# Chapter 1

- Problems in economics motivated by scarcity.
  - Study of how people allocate their limited resources to satisfy their unlimited wants
- Incentives
- Tradeoffs
- Opportunity Cost
- Marginal Thinking
- Trade Creates Value

# Chapter 2

- Positive vs. Normative Statements
- Production Possibilities Frontier (Curve)
  - Technology fixed
  - Resources fixed
  - Simplified 2-good analysis
  - Law of Increasing Relative Cost
- Absolute advantage, comparative advantage and Trade

# Chapter 3

- Law of Demand
- Law of Supply
- Movement along supply (demand) curve
- Shifts in supply (demand) curve(s)
- Equilibrium

# Chapter 4

- Elasticity of demand
  - Existence of substitutes
  - Budget share
  - Time for adjustment
- Calculations
- Conventions for reporting elasticity.
- Revenue and elasticity

# Chapter 16

- Consumer Choice
  - Choose highest valued alternative
  - Goods can be substituted
  - No perfect information
  - Diminishing marginal utility
- Total Utility and Marginal Utility

# Chapter 5

- Consumer Surplus
- Producer Surplus
- Social Welfare (Total Surplus)
- Efficiency
  - Deadweight Loss
- Tax Levy vs. Incidence
- Tax burden/efficiency for different price elasticities of demand.



# Chapter 6

- Price Ceilings
  - Rent Control
  - Black (illicit) markets
- Price Floors
  - Minimum Wage
- Binding vs. Non-Binding

# Chapter 7

- Internal vs. External Costs
  - Social Cost
- Internal vs. External Benefits
  - Social Benefit
- Negative and Positive Externalities
- Correcting Externalities
- Property Rights
- Public goods, private goods, club goods, common resource

# Chapter 8

- Accounting Profit vs. Economic Profit
- Law of diminishing marginal product
- Total Costs, Variable Costs, Fixed Costs
- $AVC$ ,  $AFC$ ,  $ATC$ ,  $MC$
- Long Run Average Total Cost
  - Economies of Scale
  - Constant Returns to Scale
  - Diseconomies of Scale

# Chapter 9

- Perfect (Pure) Competition
- $MR=MC$
- Demand curve for market vs. firm
- Calculating profit (loss)
- Short-run decisions
- Profit is a signaling mechanism.
- No profit in the long-run.
- Production and allocative efficiency

# Chapter 10

- Monopoly
  - High barriers to entry
- Types of barriers to entry
- $MR=MC$
- Demand curve for market/firm
- MR curve
- Price and Quantity as compared to Perfect Competition.

# Chapter 13

- Oligopoly
  - Take into account strategy (actions) of others
  - Can either collude or compete
- Prisoner's Dilemma
- Other types of games
- Dominant Strategy
- Nash Equilibrium