## Exam 2 Review

1. Elasticity
   1. Definition
      1. Relation to quantity and price.
   2. Formula
   3. Calculate
   4. Interpret
      1. Elastic
      2. Inelastic
      3. Perfectly Inelastic
   5. Know relationship between elasticity and total revenue
   6. Other Elasticity’s
2. Consumer Behavior
3. Utility
   1. Total Utility versus Marginal Utility
   2. Diminishing Marginal Utility
      1. What does that imply?
   3. Utility Maximizing Rule
4. Budget Constraint
   1. I=[Px\*Qx+Py\*Qy]
5. Indifference Curve
   1. What does it illustrate?
   2. What does it depict?
   3. Know basic properties
   4. What do they reflect?
   5. Why do they slope downward?
   6. What does the slope indicate?
   7. How much utility one derives from a set of good. Each line equals the same utiles but at different price ranges.