

Ec2150A-003 MT 2 Review

Tuesday, November 8, 2022

5:30 PM

The following is a general list of topics to review. Make sure you can

- ✓ Distinguish between normal, inferior and Giffen goods
- ✓ Define *and* calculate substitution and income effects
- ✓ Define *and* calculate compensating and equivalent variation
- ✓ Derive a demand curve from the consumer problem
- ✓ Define and derive an Engel curve from the consumer problem
- Calculate the income elasticity of demand
- ✓ Define *and* calculate Consumer surplus
- Understand how to apply the consumer choice model to the labour-leisure decision and consumer price indices
- Aggregate to individual demand curves into market demand
- Define and identify technical efficiency
- Compute an isoquant from a production function
- ✓ Define *and* calculate marginal products of labour and capital
- ✓ Define *and* calculate the average product of labour
- ✓ Understand the relationship between average and marginal products
- Explain why we expect marginal products to diminish
- Define and calculate MRTS *marginal product of A / marginal product of B.*
- Determine the returns to scale of a production function

Here is an example of how to decompose a price change into income and substitution effects and how to calculate the resulting compensating and equivalent variation.