

Study Guide for Exam One

Economics 211

Exam date: 19 or 21 February 2013

The exam will cover Chapters 1 through 9 in B&P, the special short section on taxes, supplemental lecture material, and the articles posted to the class Facebook page.

3.

Know how to work the Production Possibilities Frontier, i.e., know how to represent economic growth and technological innovation (62 – 66).

Know the difference between the concepts of absolute and comparative advantage. (75-76)

Know how gains from trade can be realized by studying the example of Liz and Joe (75 – 77)

4.

Know the law of demand (p. 85) and the law of supply (90).

Know the “demand shifters” (87) and the “supply shifters” (92).

Know the difference between [quantity demanded/supplied] and [demand/supply].

Know the definitions of substitutes, complements, normal goods, and inferior goods. (87)

Study the effects of changes in demand and supply (Fig. 4.9, p. 101).

Know how to represent a given economic event in the supply and demand framework. For example, given that there has been a drought in the Midwest, know how to graphically represent the drought in the market for corn and in the markets for products which use corn as an input.

Know how to represent price floors and price ceilings graphically and how to explain the concept of “sticky prices.” (103-106)

5.

Know the national income identities, $Y = C + I + G + NX = C + S + NT$ and know the difference between the income approach and the expenditure approach. (116 – 122)

When using the income approach, know how to adjust net domestic product to arrive at gross domestic product. (122)

Know the difference between and how to calculate nominal GDP and real GDP. (124)

Know what is included (and what is not included!) in GDP.

Know how to calculate chained-dollar real GDP. (137-139)

6.

Know (roughly) how the CPI is calculated (142 – 145) and what it measures.

Given the CPI for two periods, know how to calculate the rate of inflation. (145)

Know the differences among the CPI, the PPI, the PCE deflator, and the GDP deflator. Know what each measure.

Know the sources of bias in the CPI and some counter arguments (148 – 149).

7.

Know how to calculate the unemployment rate and the labor force participation rate. (167 – 168).

Know who is and who is not included in the labor force. (167)

Know the sources and types of unemployment (177-180).

Know the recent (since 2008) and long-term (since the 1950s) trends in labor force participation and unemployment and the reasons behind them.

8-Taxes.

Understand the concept of tax incidence and know how to determine who is bearing the economic burden of a tax. (190-191)

Know the difference between a marginal tax rate and an average tax rate. (197)

Know the relationship between government revenue and government expenditures (surplus/deficit) and know how and why this relationship has been impacted by the recession which began in 2007.

8.

Know the policy differences between Keynesian and Neoclassical economic theory. (190 – 191).

Know how to define full employment and potential GDP. (193, 199)

9.

Know how to calculate real per capita GDP growth rates. (214 – 215)

Know the sources of economic growth (Fig. 9.1, p 220).

Know what is meant by labor productivity (218).

Describe some policies designed to achieve faster economic growth (234 – 235).

Know the "twelve pillars of economic competitiveness" as laid out on pages 4 through 10 of the World Economic Forum Global Competitiveness Report.