

Econ Unit 2: Study Guide

Directions: *You should be able to identify and explain all of the following terms/concepts. Write a quick statement next to each term below*

Chapter 4 Terms and Concepts:

- What is absolute and comparative advantage → how do you “see this” on the table below?

		Consumption – Without Specialization/Trade	Production -With Spec/Trade	Consumption -With Spec/Trade	Gains Made From Specialization and Trade
Name:	T (X Axis)	3	10	a.	1.
Maino	C (Y Axis)	2	0	11	b.
Name:	T (X Axis)	5	0	c.	1.
Whittier	C (Y Axis)	14	27	16	d.

- Explain how you would find specialization for T and C production above?
- How would you find each countries consumption and gains from trade (a-b above)?
- Substitution Effect
- Income Effect
- What is a “normal” good?
- What is a “inferior” good?
- How are substitutes and complements related to each other (for demand)
- What is elasticity of demand?
- What is the formula for Elasticity of Demand?
- What is the Law of Demand?
- Name the variables that cause demand to shift → all of them!
- Explain what “quantity demanded” means.
- What is a demand schedule? How do you graph it?

Chapter 5 Terms and Concepts:

- What is a marginal cost?
- What is marginal revenue?
- How can the government regulate the economy?
- What regulations does this have on the supply of goods within the economy?
- What is the Law of Supply?
- What is a supply schedule?
- Name the variables that cause supply to shift → all of the them!
- What does “supply demanded” mean?

Chapter 6 Terms and Concepts:

- What does price tell us about a good?
- What is: D, S, E, Q, P?
- What is a price ceiling? How do you graph it?
- What is a price floor? How do you graph it?

- Know what these curves are and what they mean.
- Be able to draw a price ceiling and price floor and explain who is helped and hurt by these.
- Know the elasticity for demand formula!!!
- $Q1-Q2/Q1 \times 100 = \text{change in quantity}$
- $P1-P2/P1 \times 100 = \text{change in price}$
- $\text{Change in Quantity/Change in Price} = \text{elasticity}$
 - Know the different types of elasticity and how to find their numbers (look above)

