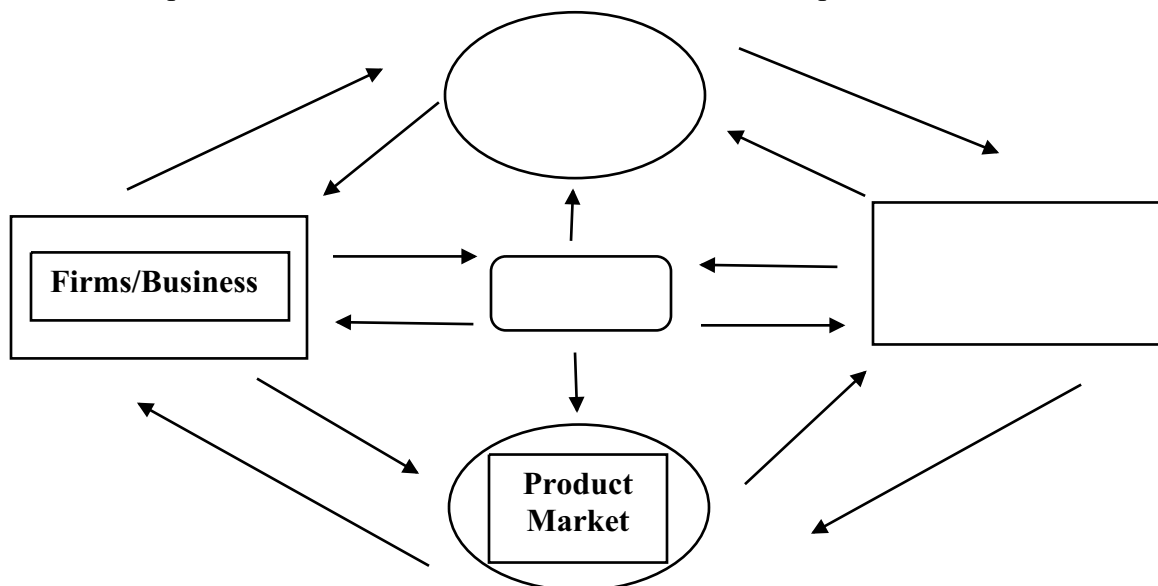


Economics Unit 3 Microeconomics Study Guide

1. What area of study does **microeconomics** focus on?
2. Complete the **Circular Flow Model** and know how it operates!!!



3. Please complete the entire Supply & Demand Review Sheet on the back.
4. What is the difference between DEMAND and Quantity demanded (Qd)?
5. Say it with me 3 times: ***“Price does not change Supply or Demand; Price only changes Quantity!”***
6. What are the Determinants of Elasticity for Demand?
7. Explain what inelastic demand means, give an example, and draw 2 correctly labeled inelastic demand curve (perfectly and relatively).
8. Decide whether or not the following products have **elastic (circle)** or **inelastic (underline)** demand: (1) gasoline, (2) peanut butter, (3) insulin, (4) rubber bands, (5) Atlanta Braves tickets, (6) Dunkin Donuts coffee, (7) Legos
9. What incentivizes entrepreneurs to start a business and risk everything?
10. Of the 2 government tools, which one actually has a positive effect on Supply and shifts the curve to the right?
11. What does the **LAW of DIMINISHING RETURNS** state?
12. Draw a Supply and Demand Curve, showing market equilibrium. What happens at the market clearing price?

13. What is it called when $Q_d > Q_s$?
14. What is it called when $Q_s > Q_d$?
15. What do prices tend to do if there is a market surplus?
16. What happens to prices when there is a market shortage?

17. The government has decided to “fix” the market disequilibrium by enforcing **PRICE CONTROLS**. Explain what happens if the **GOV'T** sets a **price ceiling**. What about a **price floor**? **Draw these 2 on a correctly labeled graph below.**

18. New York established **rent controls** for apartments in the city. What happened to as a result of this mandated **price ceiling**?

19. What type of price control is the government mandated **minimum wage**?

20. Draw and correctly label these **Supply and Demand graphs**, showing the correct shift and new equilibrium price and quantity.
 - a) LeBron James successfully advertises Nike basketball shoes. What changes would occur for the Nike shoes Curve?

 - b) A hurricane destroys Florida’s citrus crops. What changes would occur for the orange juice Curve?

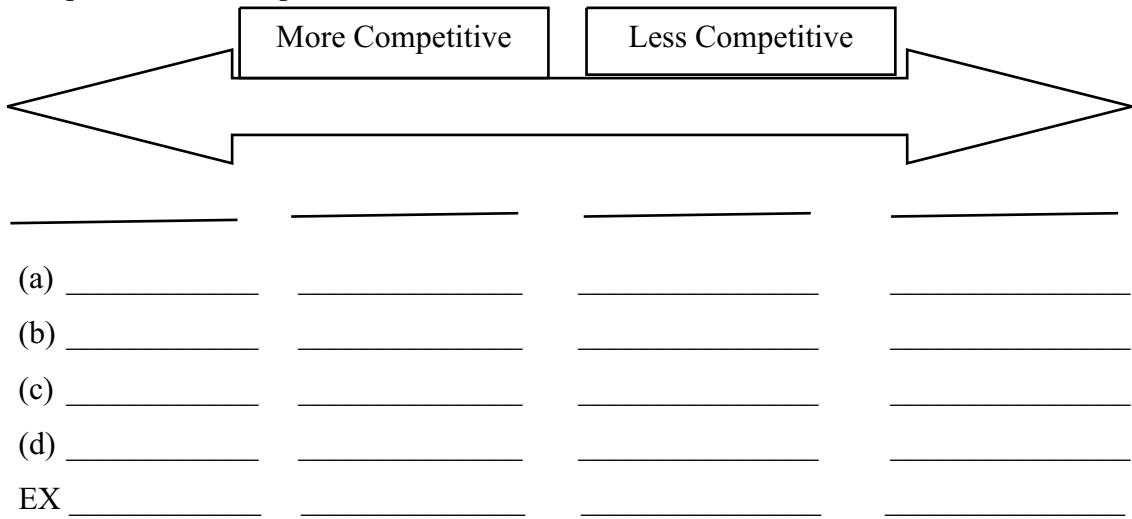
 - c) Consumers income drops 15%. What changes would occur for the Ford trucks (normal good) curve? What about used cars (inferior good) Curve?

 - d) The price of peanut butter decreases; what happens to the grape jelly Curve?

 - e) The price of peanuts increases; what happens to the peanut butter Curve?

- f) The price of cow's milk decreases; what happens to the almond milk Curve?
- g) The government provides a subsidy to wheat farmers; what happens to the bread Curve?

21. Label the 4 types of **Market Structures** on the diagram below from more competitive to less competitive, list the 4 characteristics of each under the line, and provide an example of each one.



22. What is meant by perfect competition firms are “price takers,” and monopolies being “price makers?”
23. What 2 types of market structures use **non-price competition** (coupons, free shipping, etc.) to avoid **PRICE WARS** with other competitors in the market?
24. What problem arises when oligopolies form **cartels**, such as OPEC?
25. Why does the government allow **natural monopolies**?

26. **Sole Proprietorship:**

	<u>ADVANTAGES</u>	<u>DISADVANTAGES</u>

27. **Partnership:**

ADVANTAGES

DISADVANTAGES



28. **Corporations:**

ADVANTAGES

DISADVANTAGES



29. How do corporations raise financial capital?

30. Quick, list the 4 factors of production!

Bonus: What is the number #1 problem that all economies face?

Bonus, Bonus! Draw a correctly labeled Production Possibilities Frontier, labeling 2 points showing efficiency, 1 point inefficiency (recession), and 1 point demonstrating unattainable production.

What 3 things can extend the PPF rightward, showing long-term economic growth?

