

Note: The test will cover chapters 9, 10, 11, 13 + additional material/articles/videos. Questions will focus on but not be limited to the following list of concepts. When studying, be sure to be able to define a concept or principle, explain it, give an example and graph carefully when appropriate.

1. International trade: equilibrium without trade; world price and domestic price and determination of imports or exports; P_w and P_d , opportunity cost and comparative advantage
2. Gains and losses from trade as measured by the sizes of consumer and producer surplus: cases of importing and exporting country
3. Effects of a tariff on producer surplus, consumer surplus and total surplus
4. Deadweight loss of a tariff: overproduction, underconsumption
5. Other benefits of international trade
6. Arguments for restricting trade and responses to them
7. unilateral and multilateral trade agreements
8. NAFTA
9. GATT and the role of WTO
10. Surowiecki's article "The Free Trade Paradox"
11. Alex Tabarrok's ted talk: ideas and economic growth
12. Externalities: positive and negative: definition, examples
13. Externalities and Market Efficiency
14. Externalities: private costs and social costs; private values (benefits) & social values (benefits); implications for efficiency; internalizing the externalities
15. Policies towards externalities: their definition, examples and advantages and disadvantages
 - Command and Control: Regulation
 - Market Based Policies:
 - Corrective/Pigouvian taxes and Subsidies
 - Tradable Pollution Permits
16. Private Solutions to Externalities:
 - social norms, property rights
 - Coase Theorem, transaction costs
5. David Friedman's chapter on externalities: "What's wrong with the world: Part 2"
6. Criteria for classifying goods: excludability and rivalry in consumption
7. 4 types of goods: definitions and examples
8. Public goods: the free rider problem, important examples (national defense, basic research, fighting poverty)
9. Cost Benefits Analysis and its challenges: measuring the value of human life
10. Common Resources: the Tragedy of the Commons, examples
11. Thomas Malthus and his predictions: Population Principle
12. Industrial Organization
13. Costs: their definitions, formulas, graphical representation and shapes: Total Cost, Explicit vs Implicit Costs, Marginal Costs, Fixed Costs, Variable Costs, AFC, AVC, ATC
14. Economic Profit vs Accounting Profit
15. Production function, Marginal Product, Diminishing Marginal Product and its relation to MC
16. Cost Curves and their shapes: 3 important characteristics of all cost curves (p. 277-278)
17. Efficient Scale
18. SR and LR Total Cost curves: economies of scale, constant returns to scale, diseconomies of scale