Microeconomics
50 Essential Questions

Unit 1: Basic Economic Concepts

1. Explain how to show efficiency, inefficiency, and growth on the production possibilities curve.
2. Explain the difference between a bowed-out PPC and a straight-line PPC.
3. Explain the difference between an output comparative advantage question and an input question.
4. Explain how to determine if a country has a comparative advantage.
5. Explain the difference between explicit costs and implicit costs.
6. Explain why the utility maximizing rule always maximizes total utility when consuming two goods.

Unit 2: Supply and Demand

7. Explain why a market demand curve is downward sloping.
8. Explain why an increase in the price of a good does not change the demand for the good.
9. Explain why the total revenue test can’t be used to determine the elasticity of a supply curve.
10. Explain why the elasticity is not constant as you along a downward sloping demand curve.
11. Explain why a price below the equilibrium price causes a shortage.
12. Explain why either price or quantity are indeterminate when both demand and supply change.
13. Explain why a price ceiling above the equilibrium price is not binding.
14. Explain why the change in the price after an excise tax is not equal to the amount of the tax.

15. Explain why a tax placed on a good with inelastic demand results in less deadweight loss than a tax placed on a good with elastic demand.

16. Explain why importing goods at a lower price results in more total surplus.

Unit 3: Production, Cost, and the Perfect Competition Model

17. Explain why the law of diminishing marginal returns occurs.

18. Explain why the ATC and the AVC never intersect.

19. Explain why ATC always hits MC at the lowest point of the ATC curve.

20. Explain the difference between economies of scale and diseconomies of scale.

21. Explain why accounting profit is positive when the economic profit is zero.

22. Explain why firms should shut down when the price falls below the AVC.

23. Explain why perfectly competitive firms are both allocatively efficient and productively efficient.

24. Explain why perfectly competitive firms make no economic profit in the long run.

25. Explain the difference between a constant cost industry and an increasing cost industry.

Unit 4: Imperfect Competition

26. Explain why demand greater than marginal revenue for all imperfectly competitive firms.

27. Explain why the demand is elastic when the marginal revenue is positive.

28. Explain how to identify the profit maximizing price and quantity for a monopoly.

29. Explain why an unregulated monopoly generates deadweight loss.

30. Explain why monopolies can earn positive economic profit in the long run.

31. Explain the difference between a natural monopoly and a regular monopoly.

32. Explain why a price discriminating monopoly generates more profit than a non-price discriminating monopoly.

33. Explain the difference between a monopoly and monopolistic competition.

34. Explain why price equals ATC when a monopolistically competitive firm is in the long run.

35. Explain why a monopolistically competitive firm doesn't produce the quantity that is productively efficient.

36. Explain the difference between a cartel and a regular oligopoly.

37. Explain the difference between a dominant strategy and nash equilibrium.

Unit 5: Factor Markets

38. Explain how more occupational licensing will affect wages in the labor market.

39. Explain how minimum wage affects the quantity demanded and quantity supplied of labor.

40. Explain why the marginal revenue product for workers is equal to the demand for workers.

41. Explain why the marginal resource cost for a perfectly competitive firm is horizontal.

42. Explain why the least-cost rule always maximizes the total output when using two different resources.

43. Explain the difference between a monopsony and a monopoly.

Unit 6: Market Failure and the Role of Government

44. Explain why negative externalities generate deadweight loss.

45. Explain why a per unit tax on a negative externality does not generate deadweight loss.

46. Explain why positive externalities generate deadweight loss.

47. Explain the difference between a private good and a public good.

48. Explain the purpose of antitrust policies.

49. Explain why a lump-sum tax does not change output in the short run.

50. Explain the difference between progressive and regressive taxes.