

1 INTRODUCTION TO KEY IDEAS

**Macroeconomics** studies the economy as a system in which feedback among sectors determine national output, employment and prices

**Microeconomics**, the study of individual behaviour in the context of scarcity

**Markets** play a key role in coordinating the choices of individuals with the decisions of business

**Market efficiency**, trading of skills and goods

**Market equilibrium**, goods and services are supplied both by private suppliers and government

**Model**, formalisation of theory that facilitates scientific enquiry

**Theory**, logical view of how things work through observation

**Transform theory into model** to test the theory

**Opportunity cost**, choice of what must be sacrificed when a choice is made

**Production Possibility Frontier (PPF)**, the combination of goods that can be produced using all the resources available for 30 hours

Amanda: 3 fish & 2 vegetables, Zoe: 2 fish & 4 vegetables

L: 10P or 10V = 3:2 opportunity cost, 10P or 9V = 1:2 opportunity cost

**Graphs**

Graph 1: Amanda's PPF (Fish vs Veg) and Zoe's PPF (Fish vs Veg). Amanda's PPF is steeper than Zoe's.

Graph 2: Amanda's indifference curve (Fish vs Veg) and Zoe's indifference curve (Fish vs Veg). Amanda's indifference curve is steeper than Zoe's.

**Choice in market**

Amanda: initial consumption (10, 5), Zoe: initial consumption (8, 4.5)

**Economy-wide PPF**, set of good combinations that can be produced in the economy when all available productive resources are in use

**Graphs**

Graph 3: Economy-wide PPF (Fish vs Veg) showing the shift from individual PPFs.

**Productivity of labour**, output per worker or per hour, depends on

- skill, knowledge and experience of the labour force
- capital stock: buildings, machinery & equipment
- technological trends in labour force and capital stock

**Economic growth**, increase in output

**Graphs**

Graph 4: Production Possibility Frontier (PPF) showing economic growth (shift outwards).

**Economic recession**, output falls below the economy's capacity output

**Economic boom**, period of high growth that raises output above capacity output

2 THEORETICAL MODELS AND DATA

**Variables**, measures that can take on different values

**Time series**, measurements made at different points in time

- low frequency: series with shorting intervals between observations
- high frequency: series with shorting intervals between observations

**Panel data**, values for different variables recorded at a point in time

- longitudinal: follow the same units of observation through time
- cross-sectional: value of a variable or average of a set of variables with respect to the base value

**Index**, absolute value of current / absolute value of base \* 100

**Price index** = (all index = 0.8) \* (national gas index = 2.25) = (cost index = 0.18)

**Inflation rate**, annual % increase in consumer price index

**Deflation rate**, annual % decrease in consumer price index

**Consumer Price Index**, average level for consumer goods and services

**Real index** = (nominal index / CPI) \* 100

**Real earnings**, earnings measured in current dollars

**Real earnings**, earnings measure in constant dollars to adjust for changes in the general price level

**Relative Price Index**, current dollar price of a good or service

**Real Price Index**, nominal price index divided by the consumer price index

**Regression analysis**, examining and quantifying relationships between economic variables

**Regression line**, average relationship between two variables in a scatter diagram

**Slope of a Line**, height of the line on one axis when the value of the variable on the other axis is zero

**Slope of a line**, ratio of the change in variables

**Positive economic theory**, objective explanation of economy

**Normative economic theory**, offers recommendations

**Economic equity**, concerned with the distribution of well-being among members of the economy

**Economic efficiency**, ideas and methods for betterment of society

- markets facilitate exchange and encourage efficiency
- incentives, humans are not purely material
- importance of economic policy: governments can best address issues of monopolies, Promotes a legal framework for a mixed economy. Support efficient market function through competition policy, education, international trade, tariff, etc.

3 CLASSICAL MARKETPLACE - DEMAND & SUPPLY

**Marketplace**, buyers and sellers come together to exchange

**Demand**, quantity of a good or service that buyers wish to purchase at each possible price

**Supply**, quantity of a good or service that sellers are willing to sell at each possible price

**Quantity Demanded**, amount purchased at a particular price

**Quantity Supplied**, amount supplied at a particular price

**Equilibrium Price**, price when quantity demanded equals quantity supplied

**Excess supply**, when quantity supplied exceeds the quantity demanded at the going price

**Excess demand**, when quantity demanded exceeds the quantity supplied at the going price

**Substitute goods**, a price reduction for a related product reduces/increases the demand for a primary product

**Complementary goods**, a price reduction for a related product increases/reduces the demand for a primary product

**Income effect**, demand falls in response to higher incomes

**Normal goods**, demand increases in response to higher incomes

**Income of Demand**, prices of related goods, buyer incomes, expectations

**Influences of Supply**, technology, input costs, competing products

**Market interventions**

**Price controls**, government rules or laws that inhibit the formation of market-determined prices

**Price ceiling**, suppliers cannot legally charge more than a specific price

**Price floor**, sets price above the market clearing price

**Graphs**

Graph 5: Supply and Demand curves showing equilibrium, excess supply, and excess demand.

Graph 6: Market equilibrium with price controls (ceiling and floor).

**Market demand**, horizontal sum of individual demands

**Graphs**

Graph 7: Market demand curve showing horizontal summation of individual demand curves.

4 MEASURES OF RESPONSE: ELASTICITIES

**Price elasticity** = percentage change in quantity demanded / percentage change in price

$E_d = \frac{\% \Delta Q}{\% \Delta P} = \frac{\Delta Q/Q}{\Delta P/P} = \frac{\Delta Q}{\Delta P} \cdot \frac{P}{Q}$

**Arc Elasticity of Demand**, consumer responsiveness over a segment or arc of the demand curve

**Point Elasticity of Demand**, elasticity computed at a point on the demand curve

**Unitary Elasticity**,  $E = -1$

**Perfectly Elastic**,  $E = \infty$

**Perfectly Inelastic**,  $E = 0$

**Elasticity of Supply**, ease of substituting goods, one brand with substitutes = elastic, group of products = inelastic, products with no substitutes = inelastic

**Graphs**

Graph 8: Elasticity of Demand curves showing different levels of elasticity.

**Total Expenditure** = P \* Q

**Graphs**

Graph 9: Total Expenditure curves showing how price changes affect total expenditure.

**Price-price** = % change in quantity demanded / % change in price of other product =  $E_{D1, D2} = \frac{\Delta Q_1}{\Delta P_2} \cdot \frac{P_2}{Q_1}$

**Income** = % change in quantity demanded / % change in income =  $E_{D, Y} = \frac{\Delta Q}{\Delta Y} \cdot \frac{Y}{Q}$

**Cross-price** = % change in quantity demanded / % change in price of other product =  $E_{D1, D2} = \frac{\Delta Q_1}{\Delta P_2} \cdot \frac{P_2}{Q_1}$

**Income** = % change in quantity demanded / % change in income =  $E_{D, Y} = \frac{\Delta Q}{\Delta Y} \cdot \frac{Y}{Q}$

5 WELFARE ECONOMICS AND EXTERNALITIES

**Excise tax**, involves a fixed dollar levy per unit of good sold

**Ad valorem**, percentage tax

**Graphs**

Graph 10: Excise tax and ad valorem tax on supply and demand curves.

**Deadweight loss**, loss of economic surplus that occurs when the equilibrium for a good or service is not achieved

**Graphs**

Graph 11: Deadweight loss triangles in supply and demand curves.

**Producer surplus**, excess of market price over the reservation price of the supplier

**Graphs**

Graph 12: Producer surplus triangles in supply and demand curves.

**Consumer surplus**, excess of consumer willingness to pay over the market price

**Graphs**

Graph 13: Consumer surplus triangles in supply and demand curves.

**Efficient market**, maximizes the sum of producer and consumer surpluses (Marginal benefit (demand) = marginal cost (supply))

**Graphs**

Graph 14: Efficient market equilibrium showing consumer surplus (CS) and producer surplus (PS).

**Externality**, benefit or cost falling on people other than those involved in the activity's market. It can create a difference between private costs or values and social costs or values

**Negative Externalities and inefficiency**

**Graphs**

Graph 15: Negative externalities showing deadweight loss and inefficiency.

**Positive Externalities**

**Graphs**

Graph 16: Positive externalities showing deadweight loss and inefficiency.

**Other Market Failures**, profit seeking monopolies, public goods i.e. radio, national defence, health, international externalities

**Environmental Policy and Climate Change**

**Greenhouse Gases**, accumulate excessively in the earth's atmosphere prevent heat from escaping

**Carbon Dioxide**, committed themselves to reducing GHG emissions relative to 1990 by 2012, Canada's target of 6% reduction in GHGs

**Economic Policies for Climate Change**

**Trade taxes to control pollution**, direct controls (warn big emitters), incentives (pollution taxes) or tradable permits, to pollute

**Marginal Damage Curve**, costs to society of an additional unit of pollution

**Marginal abatement curve**, costs to society of reducing quantity of pollution by one unit

**Graphs**

Graph 17: Trade taxes to control pollution showing marginal damage and marginal abatement curves.

**Graphs**

Graph 18: Tradable permits showing marginal damage and marginal abatement curves.

**Graphs**

Graph 19: Tradable permits showing marginal damage and marginal abatement curves.

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Graph 20: Tradable permits showing marginal damage and marginal abatement curves.

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Graph 100: Tradable permits showing marginal damage and marginal abatement curves.

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# Microeconomics Lesson 2 Activity 54 Answer Key

## [Microeconomics Lesson 2 Activity 54](#)

### Microeconomics Lesson 2 Activity 54

Microeconomics LESSON 2 ACTIVITY 54 (continued) UNIT Figure 54.2 External Costs 123456 HOURS OF MUSIC COSTS/BENEFITS MBT =MBP MCP MCT =MCP +MCS Figure 54.1 External Benefits 123456 HOURS OF MUSIC COSTS/BENEFITS MCT =MCP MBP MBT =MBP +MBS

### UNIT 5 Microeconomics LESSON 2 ACTIVITY 54 (continued)

Microeconomics LESSON 2 ACTIVITY 54 (continued) UNIT Figure 54.2 External Costs 123456 HOURS OF MUSIC COSTS/BENEFITS MBT =MBP MCP MCT =MCP +MCS Figure 54.1 External Benefits 123456 HOURS OF MUSIC COSTS/BENEFITS MCT =MCP MBP MBT =MBP +MBS

### UNIT 5 Microeconomics LESSON 2 ACTIVITY 54

Microeconomics LESSON 2 ACTIVITY 54 UNIT Activity written by Margaret Ray, Mary Washington College, Fredericksburg, Va. 280 Advanced Placement Economics Microeconomics: Student Activities ' National Council on Economic Education, New York, N.Y. 5 1. Imagine you live with a roommate in

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5 lesson 2 activity 54 answer key microeconomics lesson 2 activity 54 unit activity written by margaret ray mary washington college fredericksburgva answer the following questions a if your roommate considers only the private costs and benefits from playing music how many hours of music are played microeconomics lesson 2 activity 54 continued unit figure 542 external costs 123456 hours of music ...

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ap microeconomics lesson 2 activity 54 answers Golden Education World Book Document ID 746394c6 Golden Education World Book lesson appears as lesson 2 of emissions for this community fill in the blanks in the tables and use this information to answer questions 1 through 4 assume that benefits obtained and costs incurred for cleanup at one lake have no impact on costs and benefits at the other ...

### Ap Microeconomics Lesson 2 Activity 54 Answers

1 Microeconomics LESSON 2 ACTIVITY 2 Answer Key UNIT 2 Microeconomics unit 5 lesson 2 activity 54 answers. If the economy represented in Figure 2. 2 is presently

producing 12 units of Good B and zero units of Good A: (A) The opportunity cost of increasing production of Good A from zero units to one unit is the loss of two unit(s) of Good B. . . .

### Microeconomics Unit 5 Lesson 2 Activity 54 Answers

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### Unit 2 Microeconomics Lesson 2 Activity 12

Microeconomics Lesson 2 Activity Answer Key Author: dc-75c7d428c907.tecadmin.net-2020-10-20T00:00:00+00:01 Subject: Microeconomics Lesson 2 Activity Answer Key Keywords: microeconomics, lesson, 2, activity, answer, key Created Date: 10/20/2020 2:02:13 AM

### Microeconomics Lesson 2 Activity Answer Key

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### Unit 1 Microeconomics Lesson 2 Activity Answer Key

view notes microeconomics lesson 2 activity 13 from economics economics at murray high school reasons for changes in supply part a read the eight newspaper headlines in figure 132 and record the 13 what is the rate of real output growth per capita between years 3 and 4 hint use per capita data in the output growth rate formula 082 367 364 364 x 100 2 macroeconomics lesson 2 activity 11 answer ...

### Unit 2 Microeconomics Lesson 2 Activity 13 Answer Key

Microeconomics LESSON 2 ACTIVITY 55 UNIT Activity written by Margaret Ray, Mary Washington College, Fredericksburg, Va. 284 Advanced Placement Economics Microeconomics: Student Activities ' National Council on Economic Education, New York, N.Y. 5 2. If there is no government intervention in the market, and the two companies do not communicate, will Grunge dump waste into the river? Why or why ...

### UNIT 5 Microeconomics LESSON 2 ACTIVITY 55

Microeconomics LESSON 2 ACTIVITY 54 Page 5/10. Download File PDF Microeconomics Lesson 1 Activity 52 Answer Key (continued) 286 Advanced Placement Economics Microeconomics: Student Activities ' National Council on Economic Education, New York, N.Y. 5 Figure 56.1 Firm Microeconomics Lesson 1 Activity 52 Answer Key 2 Macroeconomics LESSON 2 ...

### Macroeconomics Lesson 2 Activity 45 - dev.destinystatus.com

1 Microeconomics LESSON 2 ACTIVITY 3 Answer Key UNIT 1. For each of the following situations, list at least two explicit costs and two implicit costs. Place them in the correct column. Explicit Implicit (A) You decide to go to college. Tuition, books, travel Income not earned, less job experience (B) You take a job after school. Work clothes, meals, Less study and social transportation time (C ...

### UNIT 1 Microeconomics LESSON 2

2 Microeconomics LESSON 5 ACTIVITY 22 Answer Key UNIT Maximum and Minimum Price Controls Price floors and ceilings can be plotted with supply and demand curves. Use Figure 22.1 to answer the questions. Fill in the answer blanks or underline the correct words in parentheses. 1. What is the market price? \$50 2. What quantity is demanded and what quantity is supplied at the market price? (A ...

### UNIT 2 Microeconomics LESSON 5

Corrigé de l'activité 2 page 154, corrigé partielle du DS1 A faire pour les demi groupes du lundi 28.09 et mardi 29.09: Exercice 24 page 162, 35 et 37 page 163 , 54 page 165 Le lundi 28.09.20 Demi groupe:

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only music that Margaret hates. In Figure 5-2.2, the "MSC = MPC + MEC" curve shows the SOLUTIONS ACTIVITY 5-2 (CONTINUED) CEE-APE\_MACROSE-12-0101-MITM-Book.indb 387 26/07/12 5:26 PM Purchase your 4th Edition AP Microeconomics and Macroeconomics Teacher Resources and Student workbooks today!

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