

Fifteen keys to success
Second midterm exam

Ch. 5 Demand

1. Show income and substitution effects graphically (also for labor supply model)
2. Find income and substitution effects
3. Conceptually use income and substitution effects to predict the sign of the change in consumption in response to a price change (relate to law of demand)
4. Write down budget constraint for labor supply model. What is full income? Measured income? What is the price of leisure? What is the slope of the budget line in this case?
5. Be able to find consumer surplus
6. Show graphically compensating and equivalent variation and understand what they mean.
7. Find market demand from individual demand curves

Ch. 6 Inputs and production functions

8. Inputs, production function, production set, capital, technically efficient
9. Average product of labor, marginal product of labor
10. Find marginal product of an input, marginal rate of technical substitution
11. Graph isoquant for the different production functions we have seen, and be able to graph (and understand) the isocost curve
12. Find whether a production function is CRS, DRS, or IRS

Ch. 7 Costs and cost minimization

13. Understand opportunity cost, difference between implicit versus explicit costs and economic versus accounting costs.
14. Understand the graphical representation of the cost-minimizing input choice and show the firm's expansion path
15. Solve the cost minimization problem for a Cobb-Douglas production function