Study guide (for those who need it)

1. The housing market
   (a) allocations
   (b) efficient allocations
   (c) envy graph and its relation to efficient allocations
   (d) competitive prices and allocation

2. The principle of equalization of marginal cost and marginal benefit for an optimal decision.

3. Production possibilities frontiers.
   (a) opportunity cost.
   (b) their meaning.
   (c) how to build them.
   (d) how they are affected by different phenomena.

4. The principle of comparative advantage
   (a) The difference between comparative advantage and absolute advantage.
   (b) The relation between comparative advantage and opportunity costs.
   (c) How to build the world production possibilities frontier given the production possibilities of individual countries.

5. Demand and Supply
   (a) The meaning of demand and supply,
   (b) The determinants of demand and supply.
   (c) Normal, inferior, substitute and complement goods.
   (d) Market equilibrium and show it is affected by different phenomena.
   (e) Elasticity of demand.
   (f) Relation between price-elasticity of demand and revenues.

6. Government policies
   (a) Price ceiling and price floor.
7. Welfare

(a) Consumer’s surplus.
(b) Producer’s surplus.

8. International trade

(a) Using consumer’s and producer’s surplus to measure the benefits from trade.
(b) Tariffs and quotas.