This first Midterm is be held on Friday, February 26th during regular lecture time. The exam will end promptly at 9:55am so make sure that you are are time so that you can be given the full 50 minutes.

I will be holding two review sessions during this week
• Tuesday, February 23rd – 5pm - 6pm – Blegen 10
• Thursday, February 25th – 3pm - 4pm – Anderson 210

These sessions are just to clarify any questions that you might have about the material.

When studying for this exam I would advise you to look over the following material.
• Recitation Questions – These question were posted each week and are just old questions which were asked on previous midterms. Answers to these questions were given during recitation.
• Handouts – I have posted a few handouts that review certain topics as well as give a few examples on the material. You can access these handouts clicking ”Handouts” on my webpage or following this link


• You should look over any notes that you have taken during lecture as well as during recitations.
• Finally I would advise that you look over any of the Aplia homework you may have had issues with.
Topics for the Midterm

You should be familiar with the following topics

- Definitions – You should be familiar with these terms both in terms of their written definitions as well as application which use them.
  - Economics
  - Opportunity Cost (OC)
  - Production Possibilities Frontier (PPF)
  - Budget Constraint (BC)
  - Indifference Curves (IC)
  - Optimal Consumption Bundles (OCB)
  - Law of Demand
  - Law of Supply
  - Absolute Advantage
  - Comparative Advantage
  - Market Equilibrium

- Benefits Of Trade
  - You should be familiar with everything that is in the Handout over this material.

- Theory of Consumer Choice
  - You should know all of the rules of indifference curves.
  - You should be familiar with the concepts of income as substitution effect. At a minimum you should look over the handout on this material.
  - You should be familiar with how we obtained the OCB.

- Demand and Supply
  - You should understand the difference between shifts and movements along these curves.
  - You should be prepared to answer questions about multiple shifts and then identifying the new equilibrium.

- Elasticities
  - You should be familiar with everything that is in the Handout over this material.

- Price Controls
  - Price Floors
  - Price Ceilings
Example Multiple Choice Question

1.) If the Demand for insulin is Perfectly Inelastic (Demand Curve is a vertical line), then

(I) PED = 0
(II) The substitution effect cancels out the income effect.
(III) The good is a normal good.

(A) I is true while II and III are not.
(B) I and II are true while III is not.
(C) II and III are true while I is not.
(D) All statement are true.
(E) None of the choices are correct.

NOTE: Choice (E) has many possibilities included in it. For instance if (III) was the only correct statement then you would choose (E) as the correct answer. When you take the exam you need to keep this in mind.

This would be considered a very difficult question, but I have given this to you so that you can see how many of my Multiple Choice questions are organized. I will give a brief discussion of this question during class and I will have the TA’s explain it during recitation on Wednesday.