

AP Microeconomics Metacognition Review Guide / Student

Student Instructions

This tool is designed to help you prepare for formal assessments in the AP Micro course. Each unit has four areas to help you study.

#1 Unit Title/Big Ideas

Big Ideas are the College Board's compelling questions for each unit. You will often see threads or themes that run throughout the course. After filling in the Concepts to Know and Base Graphs/Formulas sections, write a paragraph with relevant examples drawn from the unit guide that summarizes each Big Idea.

#3 Concepts to Know

This section comes directly from the College Board Course and Exam Description (CED). Fill in the blanks as you work through the unit. They can serve as an informal knowledge check.

#2 Base Graphs/Formulas

When instructed by your teacher, draw a base graph (no shifts or manipulations needed) with all relevant information clearly labeled, OR write down the formula for making generic calculations. This information can help you in free-response and multiple-choice questions.

NOTE: Not every topic's section has an associated graph or formula, so many of these sections will be blank.

#4 Got It/Need to Study

After completing a unit, use these columns to reflect on your understanding of the associated statements in the Concepts to Know section. If you can answer questions about the concept correctly, check the "Got it!" column. It's recommended that you not spend too much extra time or effort studying something you already know. If you are unsure or incorrectly answer questions about the concept, you should mark it as "Need to Study" and focus on understanding these areas when preparing for a formal assessment.

UNIT 1: Basic Economic Concepts			
BIG IDEA 1: Scarcity and Markets			
How do individuals and economies confront the problem of scarcity? Why do people and countries trade with one another?			
BIG IDEA 2: Costs, Benefits, and Marginal Analysis			
Why do all decisions have costs? Why do people consider the additional costs and benefits of possible actions rather than just the total costs and benefits when making decisions?			
Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 1.1 Scarcity			
	Economic _____ arise from the lack of sufficient resources (scarcity) to meet society's wants and needs.		
	Most factors of production (such as _____) are scarce, but some factors of production (such as _____) may not be scarce because of their non-rival nature.		
TOPIC 1.2 Resource Allocation and Economic Systems			
	Resource allocation involves answering three basic questions: _____ _____ _____		
	Resource allocation is significantly influenced by the economic system adopted by society, such as a _____ economy, _____ economy, or _____ economy. Each system involves a particular set of institutional arrangements and a coordinating mechanism for allocating scarce resources and distributing output.		
TOPIC 1.3 Production Possibilities Curve			
	The PPC is a model used to show the _____ associated with allocating _____.		

UNIT 1: Basic Economic Concepts

BIG IDEA 1: Scarcity and Markets

How do individuals and economies confront the problem of scarcity?

Why do people and countries trade with one another?

BIG IDEA 2: Costs, Benefits, and Marginal Analysis

Why do all decisions have costs?

Why do people consider the additional costs and benefits of possible actions rather than just the total costs and benefits when making decisions?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 1.1 Scarcity			
	Economic _____ arise from the lack of sufficient resources (scarcity) to meet society's wants and needs.		
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TOPIC 1.3 Production Possibilities Curve			
	The PPC is a model used to show the _____ associated with allocating _____.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 1.3 Production Possibilities Curve, cont'd			
<p>BASE GRAPH #1 PPC Model</p>	<p>The _____ can be used to illustrate the concepts of scarcity, opportunity cost, efficiency, underutilized resources, and economic growth or contraction.</p>		
	<p>The shape of the PPC depends on whether opportunity costs are _____, _____, or _____.</p>		
	<p>The PPC can shift because of changes in factors of production as well as changes in _____.</p>		
	<p>Economic growth results in an _____ shift of the PPC.</p>		
TOPIC 1.4 Comparative Advantage and Trade			
	<p>_____ advantage describes a situation in which an individual, business, or country can produce more of a good or service than any other producer with the same quantity of resources.</p>		
	<p>_____ advantage describes a situation in which an individual, business, or country can produce a good or service at a lower opportunity cost than another producer</p>		
	<p>Production _____ according to comparative advantage, not absolute advantage, results in exchange opportunities that lead to consumption possibilities beyond the PPC.</p>		
	<p>Comparative advantage and opportunity costs determine the terms of trade for exchange under which _____ trade can occur.</p>		
TOPIC 1.5 Cost-Benefit Analysis			
	<p>Rational agents consider _____, whether implicit or explicit, when calculating the total economic costs of any decision.</p>		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 1.5 Cost-Benefit Analysis, cont'd			
	Total benefits form the metric “_____” for consumers and total revenue for firms.		
	Total _____ benefits, the difference between total benefits and total costs, are maximized at the optimal choice.		
	Some decisions permit rational agents to look at only _____ and _____ cost. Other decisions cannot be broken down into increments in this way and must be evaluated by looking at total benefits and total costs.		
TOPIC 1.6 Marginal Analysis and Consumer Choice			
BASE GRAPH #2 Utility	Consumers face constraints and have to make _____ decisions accounting for these constraints.		
	In a model of rational consumer choice, consumers are assumed to make choices so as to maximize their _____.		
	Consumers experience _____ marginal utility in the consumption of goods and services.		
FORMULA #1 Utility Maximizing Rule	Consumers allocate their limited income to purchase the combination of goods that maximizes their utility by equating/comparing the _____ utility of the last dollar spent on each good.		
	Marginal analysis involves comparing the additional benefit of increasing a given activity with the additional cost. Comparing marginal _____ with marginal _____ helps individuals (firms) decide whether to increase, decrease, or maintain their consumption (production) levels.		
	The optimal quantity at any point in time does not depend on _____ or fixed benefits that have already been determined by past choices.		
	The optimal quantity is achieved when _____ benefit is equal to marginal cost or where _____ benefit is maximized.		

UNIT 2: Supply and Demand

BIG IDEA 1: Scarcity and Markets

What determines the market price for a good or service?

What causes market prices to change?

BIG IDEA 4: Market Inefficiency and Public Policy

How does government policy affect market outcomes?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 2.1 Demand			
	A well-defined system of _____ is necessary for the market system to function well.		
	Economic agents respond to _____.		
	Individuals often respond to incentives, such as those presented by prices, but also face constraints, such as _____ constraints.		
	The law of demand suggests that a change in the own-price causes a change in quantity demanded in the opposite direction and a movement _____ a demand (marginal benefit) curve.		
	The conceptual relationship between price and quantity stated by the law of demand leads to _____ sloping demand curves explained by the income effect and substitution effect and/ or by diminishing marginal utility.		
	The market demand curve is derived from the summation of _____ demand curves.		
	Changes in the determinants of consumer demand can cause the demand curve to shift. They include _____.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 2.2 Supply			
	A change in _____ causes a change in quantity supplied in the same direction and a movement _____ a supply curve.		
	The market supply curve is derived from the summation of _____ supply curves. The market supply curve is _____ sloping.		
	Changes in the determinants of supply can cause the supply curve to shift. They include _____ _____ _____.		
TOPIC 2.3 Price Elasticity of Demand			
FORMULA #2 Elasticity of Demand	Economists use the concept of _____ to measure the magnitude of percentage changes in quantity owing to any given changes in the own-price, income, and prices of related goods.		
	Price elasticity of demand is measured by the percentage change in _____ divided by the percentage change in _____. Elasticity varies along a linear demand curve, meaning slope is not elasticity.		
	<p>Ranges of values of elasticity of demand are described as elastic or inelastic with the separating benchmark being a magnitude of 1, where the change in price and the change in quantity demanded are proportional.</p> <ul style="list-style-type: none"> • When the magnitude of the value of elasticity is greater than 1, demand is described as being _____ with respect to that price in the range of the given change. • When the magnitude of the value of elasticity is less than 1, demand is described as being _____ with respect to that price in the range of the given change. • When the magnitude of the value of elasticity is equal to 1, demand is described as being unit _____ with respect to that price in the range of the given change. 		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 2.3 Price Elasticity of Demand cont'd			
	The price elasticity of demand depends on certain factors such as the availability of _____.		
	The impact of a given price change on _____ or total expenditure will depend on whether demand is elastic, inelastic, or unit elastic.		
TOPIC 2.4 Price Elasticity of Supply			
<p>FORMULA #3 Elasticity of Supply</p>	Price elasticity of supply is measured by the percentage change in _____ divided by the percentage change in _____, or the responsiveness of the quantity supplied to changes in price.		
	<p>Ranges of values of elasticity of supply are described as elastic or inelastic with the separating benchmark being a magnitude of 1, where the change in price and the change in quantity supplied are proportional.</p> <ul style="list-style-type: none"> • When the magnitude of the value of elasticity is greater than 1, supply is described as being _____ with respect to that price in the range of the given change. • When the magnitude of the value of elasticity is less than 1, supply is described as being _____ with respect to that price in the range of the given change. • When the magnitude of the value of elasticity is equal to 1, supply is described as being _____ with respect to that price in the range of the given change. 		
	The price elasticity of supply depends on certain factors such as the _____ of alternative inputs.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 2.5 Other Elasticities			
<p>FORMULA #4 Cross Price Elasticity</p>	<p>Elasticity can be measured for any determinant of demand or supply, not just the _____.</p>		
<p>FORMULA #5 Income Elasticity</p>	<p>Income elasticity of demand is measured by the percentage change in the _____ divided by the percentage change in _____. Economists use the income elasticity of demand to determine whether a good is _____ or _____.</p>		
	<p>Cross-price elasticity of demand is measured by the percentage change in the quantity demanded of one good divided by the percentage change in the price of another good. Economists use the cross-price elasticity of demand to determine whether goods are _____, _____, or _____.</p>		
TOPIC 2.6 Market Equilibrium and Consumer and Producer Surplus			
<p>BASE GRAPH #3 Demand/Supply in Equilibrium</p>	<p>The supply-demand model is a tool for understanding what factors influence prices and quantities and why prices and quantities might differ across markets or change over time.</p>		
<p>FORMULA #6 Consumer and/or Producer Surplus</p>	<p>In a perfectly competitive market, _____ is achieved (and markets clear with no shortages or surpluses) when the price of a good or service brings the quantity supplied and quantity demanded into balance, in the sense that buyers wish to purchase the same quantity that sellers wish to provide.</p>		
	<p>Equilibrium price provides information to economic decision makers to guide _____ allocation.</p>		
	<p>Economists use _____ surplus and _____ surplus to measure the benefits markets create for buyers and sellers and to understand market efficiency.</p>		
	<p>Market equilibrium maximizes total _____ surplus in the absence of market failures, meaning that perfectly competitive markets are _____.</p>		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 2.7 Market Disequilibrium and Changes in Equilibrium			
	Whenever markets experience imbalances—creating _____ prices and quantities, surpluses, and shortages—market forces drive price and quantity toward equilibrium.		
	Factors that shift the market demand and market supply curves cause price, quantity, consumer surplus, producer surplus, and total economic surplus (within that market) to change. The impact of the change depends on the _____ of demand and supply.		
TOPIC 2.8 The Effects of Government Intervention in Markets			
	Some government policies, such as price _____, price _____, and other forms of price and quantity regulation, affect incentives and outcomes in all market structures.		
	Governments use _____ and _____ to change incentives in ways that influence consumer and producer behavior, shifting the supply and demand curves accordingly.		
	Taxes and subsidies affect government _____ or _____.		
	Government intervention in a market producing the efficient quantity through taxes, subsidies, price controls, or quantity controls can only _____ allocative efficiency.		
	_____ represents the losses to buyers and sellers as a result of government intervention in an efficient market.		
	The incidence of taxes and subsidies imposed on goods traded in perfectly competitive markets depends on the _____ of supply and demand.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 2.9 International Trade and Public Policy			
<p>BASE GRAPH #4 Domestic S/D Market with International Trade</p>	<p>Equilibria in competitive markets may be altered by the decision to open an economy to trade with other countries; equilibrium price can be higher or lower than under autarky, and the gap between domestic supply and demand is filled by trade. Opening an economy to trade with other countries affects _____ surplus, _____ surplus, and total _____ surplus.</p>		
	<p>_____, which governments sometimes use to influence international trade, affect domestic price, quantity, government revenue, consumer surplus, and total economic surplus.</p>		
	<p>_____ can be used to alter quantities produced and therefore affect price, consumer surplus, and total economic surplus.</p>		

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

BIG IDEA 2: Costs, Benefits, and Marginal Analysis

How do businesses use marginal analysis to make decisions?

BIG IDEA 3: Production, Choices and Behavior

What drives producers' decision making?

How can a market be perfectly competitive?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 3.1 The Production Function			
BASE GRAPH #5 Production Function	The _____ explains the relationship between inputs and outputs in both the short run and the long run.		
	_____ product and _____ product change as input usage changes, and hence total product changes.		
FORMULA #7 Marginal Product	Diminishing _____ returns occur as the firm employs more of one input, holding other inputs constant, to produce a product (output) in the short run.		
TOPIC 3.2 Short-Run Production Costs			
BASE GRAPH #6 Per Unit Costs in Short Run	_____ costs and _____ costs determine the total cost.		
	Marginal cost, average (fixed, variable, and total) cost, total cost, and total variable cost change as _____ output changes, but total _____ cost remains constant at all output levels, including zero output.		
	Production functions with diminishing marginal returns yield an _____ marginal cost curve.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 3.2 Short-Run Production Costs cont'd			
<p>FORMULA #8 Marginal Cost</p>	<p>_____ and the division of labor reduce marginal costs for firms.</p>		
<p>FORMULA #9 Total Cost</p>			
<p>FORMULA #10 Average Total Cost</p>	<p>Cost curves can shift in response to changes in _____ costs and productivity.</p>		
TOPIC 3.3 Long-Run Production Costs			
<p>BASE GRAPH #7 Long-Run Costs</p>	<p>In the long run, firms can adjust ____ their inputs, and as a result all costs become _____.</p>		
	<p>The relationship between inputs and outputs in the long run is described by the scale of production in these ways: _____ returns to scale.</p>		
	<p>The long-run average total cost is characterized by _____ of scale, _____ of scale, or _____ returns to scale (efficient scale).</p>		
	<p>The _____ efficient scale plays a role in determining the concentration of firms in a market and the market structure.</p>		
TOPIC 3.4 Types of Profit			
<p>FORMULA #11 Total Revenue</p>	<p>Firms respond to _____ profit (loss) rather than _____ profit.</p>		
<p>BASE FORMULA #12 Profit</p>	<p>Accounting profit fails to account for _____ costs—such as cost of financial capital, compensation for risk, or an entrepreneur’s time—which, if fully compensated, result in normal profit.</p>		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 3.5 Profit Maximization			
<p>FORMULA #13 Profit Maximizing Rule</p>	<p>Firms are assumed to produce output to maximize their profits by comparing _____ and _____.</p>		
TOPIC 3.6 Firms' Short-Run Decisions to Produce and Long-Run Decisions to Enter or Exit a Market			
	<p>In the short run, firms decide to operate (i.e., produce positive output) or shut down (i.e., produce zero output) by comparing total revenue to total variable cost or _____ to _____.</p>		
	<p>In the absence of barriers to entry or exit in the long run (i.e., once factors that are fixed in the short run become variable), firms _____ a market in which there are profit-making opportunities and _____ a market when they anticipate economic losses.</p>		
TOPIC 3.7 Perfect Competition			
<p>BASE GRAPH #8 Perfect Competition</p>	<p>A perfectly competitive market is efficient. Firms in perfectly competitive markets face ___ barriers to entry and have no _____.</p>		
	<p>In perfectly competitive markets, _____ communicate to consumers and producers the magnitude of others' marginal costs of production and marginal benefits of consumption and provide incentives to act on that information.</p>		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 3.7 Perfect Competition, cont'd			
<p>BASE GRAPH #9 Perfectly Competitive Market AND Firm</p>			
	<p>In perfectly competitive markets, firms can sell all their outputs at a constant _____ determined by the market.</p>		
	<p>At a competitive market equilibrium, firms are price _____ and select output to maximize profit by producing the level of output where the _____ cost equals _____ revenue (at the price).</p>		
	<p>At a competitive market equilibrium, the price of a product equals both the private marginal _____ received by the last unit consumed and the private marginal _____ incurred to produce the last unit, thus achieving _____.</p>		
	<p>In a short-run competitive equilibrium, price can either be above or below its long-run competitive level resulting in _____ or _____, motivating entry or exit of firms and moving prices and quantities toward long-run equilibrium.</p>		
	<p>In a long-run perfectly competitive _____, productive efficiency implies that all operating firms produce at efficient scale, price equals marginal cost and minimum average total cost, and firms earn zero economic profit.</p>		
	<p>Firms may be in a _____ cost, _____ cost, or _____ cost industry. Long-run prices depend on the portion of the long-run cost curves on which firms operate.</p>		
	<p>A perfectly competitive market in long-run equilibrium is _____ and _____ efficient.</p>		

UNIT 4: Imperfect Competition

BIG IDEA 3: Production Choices and Behavior

What drives producers' decision making?

How are imperfectly competitive markets inefficient?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.1 Introduction to Imperfectly Competitive Markets			
	Imperfectly competitive markets include _____, _____, and _____ in product markets and monopsony in factor markets.		
	In imperfectly competitive output markets and assuming all else is constant, a firm must _____ price to sell additional units.		
	In imperfectly competitive markets, consumers and producers respond to prices that are _____ the marginal costs of production and/or marginal benefits of consumption (i.e., price is greater than marginal cost in an inefficient market).		
	Incentives to enter an industry may be mitigated by barriers to entry. Barriers to entry—such as high _____ costs, legal barriers to entry, and _____ ownership of key resources—can sustain imperfectly competitive market structures.		
TOPIC 4.2 Monopoly			
BASE GRAPH #10 Monopoly	A monopoly exists because of _____.		
BASE GRAPH #11 Natural Monopoly	In a monopoly, equilibrium (profit-maximizing) quantity is determined by equating marginal _____ to marginal _____. The price charged is _____ than the marginal cost.		
	In a natural monopoly, long-run _____ for a single firm exist throughout the entire effective demand of its product.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.3 Price Discrimination			
	A firm with market power can engage in _____ to increase its profits or capture additional consumer surplus under certain conditions.		
	With _____ price discrimination, a monopolist produces the quantity where price equals marginal cost (just as a competitive market would) but extracts all economic surplus associated with its product and eliminates all _____.		
TOPIC 4.4 Monopolistic Competition			
	In a market with monopolistic competition, firms producing differentiated products may earn positive, negative, or zero economic profit in the short run. Firms typically use _____ as a means of differentiating their product. Free entry and exit drive profits to zero in the _____. The output level, however, is smaller than the output level needed to minimize average total costs, creating excess capacity. The price is greater than marginal cost, creating allocative inefficiency.		
TOPIC 4.5 Oligopoly and Game Theory			
	An oligopoly is an _____ market structure with high barriers to entry, where there are few firms acting interdependently.		
	Firms in an oligopoly have an incentive to _____ and form cartels.		
	A game is a situation in which a number of individuals take actions, and the _____ for each individual depends directly on both the individual's own choice and the choices of others.		
	A _____ is a complete plan of actions for playing a game; the normal form model of a game shows the payoffs that result from each collection of strategies (one for each player).		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 4.5 Oligopoly and Game Theory, cont'd			
	A player has a _____ when the payoff to a particular action is always higher independent of the action taken by the other player.		
	A _____ is a condition describing the set of actions in which no player can increase their payoff by unilaterally taking another action, given the other players' actions.		
	Oligopolists have difficulty achieving the monopoly outcome for reasons similar to those that prevent players from achieving a cooperative outcome in the Prisoner's Dilemma; nevertheless, prices are generally _____ and quantities _____ with oligopoly (or duopoly) than with perfect competition.		

UNIT 5: Factor Markets

BIG IDEA 3: Production Choices and Behavior

How are prices for resources determined?

How do firms use resource prices to make decisions?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 5.1 Introduction to Factor Markets			
	Factors of production (labor, capital, and land) respond to factor prices (wages, interest, and rent), and employers' (firms') decisions to hire are based on the _____ of the factors, output price, and cost of the factor.		
	The quantity of labor demanded is _____ related to the wage rate, while the quantity of labor supplied is _____ related to the wage rate in a given labor market, other things constant.		
TOPIC 5.2 Changes in Factor Demand and Factor Supply			
	Changes in the determinants of labor demand, such as the _____ and the productivity of the worker, cause the labor demand curve to _____.		
	Changes in these determinants of labor supply cause the labor supply curve to shift: _____ _____ _____ _____		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 5.3 Profit-Maximizing Behavior in Perfectly Competitive Factor Markets			
<p>BASE GRAPH #12 Firm in Perfectly Competitive Factor Market</p>			
<p>FORMULA #14 Marginal Revenue Product</p>	<p>In a perfectly competitive labor market, the wage is set by the market and each firm hires the quantity of workers, where the _____ (wage) equals the marginal _____. A typical firm may be a perfect competitor in the labor market even if it is an imperfect competitor in its output markets.</p>		
<p>BASE FORMULA #15 Marginal Factor Cost</p>	<p>A typical firm hires labor in a perfectly competitive labor market as long as the marginal revenue product of labor is _____ than the market wage.</p>		
	<p>To minimize costs or maximize profits, firms allocate _____ such that the last dollar spent on each input yields the same amount of marginal product.</p>		
	<p>Marginal revenue product of a factor of production is the change in _____ divided by the change in that _____, which is also equal to the marginal physical product of that factor multiplied by the marginal revenue ($MRP = MP \times MR$). Firms in a perfectly competitive output market will have marginal revenue product of labor that is equal to the value of the marginal product of labor ($VMPL = MPL \times P$) because marginal revenue for each unit of output is equal to price.</p>		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 5.4 Monopsonistic Markets			
BASE GRAPH #13 Monopsony	In a monopsonistic labor market, a typical firm hires additional labor as long as the marginal revenue product is _____ than the marginal factor (resource) cost (the wage of a new unit of labor plus the wage increase given to all existing labor).		
	When a typical firm hires additional workers in a _____ labor market, the marginal factor (resource) cost is greater than the supply price of labor.		

UNIT 6: Market Failure and the Role of Government

BIG IDEA 4: Market Inefficiency and Public Policy

How do markets fail?

What role should the government play in markets?

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 6.1 Socially Efficient and Inefficient Market Outcomes			
	The optimal quantity of a good occurs where the marginal _____ of consuming the last unit equals the marginal _____ of producing that last unit, thus maximizing total _____.		
	The market equilibrium quantity is equal to the _____ only when all social benefits and costs are internalized by individuals in the market. Total economic surplus is maximized at that quantity.		
	Rational agents can pursue private actions to exploit or exercise market characteristics known as _____.		
	Rational agents make optimal decisions by equating private marginal _____ and private marginal _____ that can result in market inefficiencies.		
	Policymakers use _____ to evaluate different actions to reduce or eliminate market inefficiencies.		
	Market inefficiencies can be eliminated by designing _____ that equate marginal social benefit with marginal social cost.		
	Equilibrium allocations can deviate from _____ allocations because of situations such as monopoly, oligopoly, monopolistic competition, negative and positive externalities in production or consumption, asymmetric information, and insufficient production of public goods.		
	Producing any non-efficient quantity results in _____.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 6.2 Externalities			
<p>BASE GRAPHS #14-17 Four Externality Types</p>	<p>The _____ of a good occurs where the marginal social benefit of consuming the last unit equals the marginal social cost of producing that last unit, thus maximizing total economic surplus.</p>		
	<p>_____ are either positive or negative and arise from lack of well-defined property rights and/or high transaction costs.</p>		
	<p>In the presence of externalities, rational agents respond to _____ costs and benefits and not to _____ costs and benefits.</p>		
	<p>Rational agents have the incentive to _____ when a good is non-excludable.</p>		
	<p>Policies that address positive or negative externalities include _____, _____, environmental regulation, public provision, the assignment of property rights, and the reassignment of property rights through private transactions.</p>		
TOPIC 6.3 Public and Private Goods			
	<p>_____ goods are rival and excludable, and _____ goods are non-rival and non-excludable.</p>		
	<p>Because of the free-rider problem, private individuals usually lack the incentive to produce public goods, leaving _____ as the only producer.</p>		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 6.3 Public and Private Goods			
	Governments sometimes choose to produce private goods, such as educational services, and to allow _____ access to them.		
	Some natural resources are, by their nature, _____ and rival and are therefore open access. Private individuals inefficiently overconsume such resources.		
TOPIC 6.4 The Effects of Government Intervention in Different Market Structures			
	Per-unit _____ and _____ affect the total price consumers pay, net price firms receive, equilibrium quantity, consumer and producer surpluses, deadweight loss, and government revenue or cost. The impact of change depends on the price elasticity of demand and supply.		
	_____ taxes and subsidies do not change either marginal cost or marginal benefit; only fixed costs will be affected.		
	Binding price _____ and _____ affect prices and quantities differently depending on the market structures (perfect competition, monopoly, monopolistic competition, and monopsony) and the price elasticities of supply and demand.		
	Government intervention in imperfect markets can _____ efficiency if the policy correctly addresses the incentives that led to the market failure.		
	Government can use price _____ to address inefficiency due to monopoly.		
	A natural monopoly will require a _____ to produce at the allocatively efficient quantity.		
	Governments use _____ in an attempt to make markets more competitive.		

Base Graphs/Formulas	Concept to Know	Got It!	Need to Study
TOPIC 6.5 Inequality			
	Income levels and _____ rates vary greatly both across and within groups (e.g., age, gender, race) and countries.		
	The _____ curve and _____ coefficient are used to represent the degree of inequality in distributions and to compare distributions across different countries, policies, or time periods.		
	Each factor of production receives the value of its _____, which can contribute to income inequality.		
	Sources of income and wealth _____ include differences in tax structures (progressive and regressive tax structures), human capital, social capital, inheritance, effects of discrimination, access to financial markets, mobility, and bargaining power within economic and social units (firms, labor unions, and families).		