**Revisiting some of your Micro content (second year content)**

**Remember that you will also need to revisit your spec to ensure coverage of first year micro content**

**4.1.2**

What does rational economic behaviour mean?

What is utility?

What is marginal utility?

What is meant by diminishing marginal utility?

What is the role of the margin when choices are made? (you can consider this from the perspective of different economic agents)

What is the role of information in decision making?

What is the link between information and market failure?

What is asymmetric information? What are the implications of this?

What is behavioural economics? How is this different from traditional economic theories?

How does bounded rationality influence affect decision making?

What is bounded self control?

What types of biases does behavioural economics consider exist when people make decisions?

How can behavioural economics influence the design of government policy? (in answering use terms such as choice architecture, nudges and default choices)

**4.1.4**

Distinguish between the short run and the long run.

Explain the difference between marginal, average and total returns (use labour)

Explain the law of diminishing marginal returns? When does this operate?

Explain returns to scale.

What are fixed and variable costs?

What is the difference between marginal, average and total cost?

What is meant by the term economies of scale?

What is the link between the SRAC and LRAC (use diagram to help you explain)

What is the link between the marginal and the average cost curve?

Using a diagram explain what is meant by Minimum Efficient Scale.

What is meant by the terms marginal, average and total revenue?

Explain why the average revenue is the firms demand curve.

What is the relationship between average and marginal revenue?

What is the relationship between the marginal revenue and the total revenue?

What is profit?

What is normal profit?

What is supernormal profit? What is this also known as?

What role does profit play in a market economy?

Distinguish between invention and innovation.

What effect does technological change have (in answering this you should make reference to creative destruction)

Explain the effect that mechanisation and automation have.

**4.1.5**

Explain each of the market structures (you should include characteristics).

What objectives do firms have?

What is the profit maximising condition?

Using diagrams explain short and long run equilibrium in perfect competition.

Explain a monopolists AR and MR curve why is this different to perfect competition?

Distinguish between monopoly and monopoly power. What are its causes and sources?

What has the impact of globalisation been on monopoly power?

Explain short and long run equilibrium in monopolistic competition.

Explain what is meant by a concentration ratio

Distinguish between collusive and competitive oligopoly.

Explain the kinked demand curve theory of oligopoly.

What are the weaknesses of the kinked demand curve theory?

What is price discrimination and who uses it? Explain the types.

What is contestable market theory?

What influence has contestable market theory had on the way in which monopoly policy is used?

Explain productive and allocative efficiency? What type of efficiency do they refer to?

Apply concepts of productive and allocative efficiency to firms in different market structures.

What is natural monopoly?

What is dynamic efficiency? What can it be used to support?

Explain the concepts of consumer and producer surplus.

Explain how monopoly may lead to market failure (incorporate diagrams and reference to deadweight welfare loss)

**4.1.6**

Which economic agents operate in the labour market and what role do they play? What is each trying to achieve?

What type of demand is the demand for labour?

What is marginal revenue product?

What is MRP theory?

What factors influence a workers decision to supply their labour?

What is meant by the terms income and substitution effect?

What factors affect the elasticity of supply of labour?

What is a perfectly competitive labour market? What are the assumptions?

What is meant by the terms average cost of labour and marginal cost of labour?

Explain how wages are determined in a perfectly competitive labour market.

Do perfectly competitive labour markets exist in the real world?

What is an imperfectly competitive labour market?

How are wages determined in an imperfectly competitive labour market?

What role does a trade union play?

Explain the effect of a trade union in a perfectly competitive labour market.

Explain the impact of a trade union in a monopsony labour market.

What is the national minimum wage? What effect does it have on a competitive labour market?

What is meant by wage discrimination?

What factors can account for different wages being paid to different groups of workers?

**4.1.7**

What is the difference between income and wealth?

What factors influence how income and wealth are distributed?

What is the difference between the terms equality and equity?

What does a Lorenz curve show?

What is the Gini coefficient?

Why do some argue that there should be a more equitable distribution of income and wealth in a country?

What do pro free market economists argue about the distribution of income and wealth?

What is poverty?

Distinguish between absolute and relative poverty.

What causes poverty?

What are the effects of poverty?

What policies can be used to tackle poverty and to bring about a more equal distribution of income and wealth? What might determine how effective these policies are?

**4.1.8**

What is market failure?

Distinguish between a complete and a partial market failure.

What is a missing market?

What is a public good? (make sure you include reference to pure and quasi)

What are the characteristics of a public good?

What problem is associated with public goods?

What is a private good?

Apply the concept of allocative efficiency in the context of Public Goods.

What is an externality? (in explaining you should consider positive and negative externalities in production and consumption and be able to draw diagrams for them)

What are merit and demerit goods?

What is the link between merit and demerit goods and imperfect and aysemmetric information?

Explain why in a free market when externalities are present the market mechanism does not achieve an allocatively efficient outcome.

Explain with the use of externalities diagrams deadweight welfare loss.

What are property rights? Explain why the absence of these leads to externalities and market failure.

What is the ‘tragedy of the commons’?

Why can the immobility of the factors of production result in market failure?

How can a monopoly affect resource allocation?

What is competition policy?

Who implements competition policy?

What is public ownership?

What is privatisation?

What is regulation?

What is meant by the term regulatory capture?

What is deregulation?

What is the link between deregulation and contestable markets?

Explain how government might intervene in markets.

What is government failure?