This review sheet is intended to cover everything that could be on the exam; however, it is possible that I will have accidentally left something off. You are still responsible for everything in the chapters covered except anything that I explicitly say you are not responsible for. Therefore, if I left something off of this sheet, it can still be on the exam. There will be no multiple-choice questions. Most of the questions will be like the ones in the homework assignments, and possibly a few definition questions, but I am more likely to ask questions that make you use the definitions rather than recite them. I will probably ask one of the questions from the book at the end of the chapters.

The review session will be at a time to be determined in class, probably Tuesday, 12/02 in the normal room. The class unanimously agreed to slightly modify the class schedule to move the test away from the day after Thanksgiving. Therefore, on Friday, 11/21, we will finish Chapter 30. On Monday 12/1, we will go over the Homework #9 and Assignment #9A below. The test will be Wednesday 12/3.

Chapter 25: What is a monopolist? Why does it need a barrier to entry? How do the following cause barriers to entry? Ownership of resources, economies of scale, licences, franchises, patents, tariffs, and regulations. What is a cartel? How do the demand and marginal revenue curves of a monopolist differ from those of a perfectly competitive firm? Why are they like that? What is meant by *price searcher*, a.k.a. *price setter*? Why do **all** profit maximizing firms set MR = MC? Be able to draw the ATC/MC/AVC/D/MR diagram for a monopoly and find the quantity produced and price charged. Note that Figure 25-6 on page 647 need not have the Q_M near the point where MC crosses MR. It could be far from there. What is meant by *perfect price discrimination*? (In other courses you may find out about other types of price discrimination.) What are the advantages and disadvantages of that type of firm? Where do they produce? Be able to prove that monopolies do not produce the socially optimal quantity unless they are perfect price discriminating monopolists.

Chapter 28: What do the following agencies do: FTC, FDA, EEOC, EPA, OSHA, CPSC, Department of Justice (DOJ), Federal Communications Commission (FCC), Environmental Protection Agency (EPA), Securities Exchange Commission (SEC), and US Department of Agriculture (USDA). (The first ones are in the book, but the ones I spelled our are ones we discussed in class.) Why must natural monopolies have price regulation which do not require P = MC? Why do we have these organizations? How does asymmetric information cause a need for regulation? What is the *Lemons Problem*? How would the market solve the problem without government intervention? What are the *capture hypothesis* and the *share-the-gains, share-the-pains* theories of regulation? What are the direct and indirect costs of regulations? For the Sherman Antitrust Act and the Clayton Act, know what the two do as a pair, not individually. Understand why some industries have exemptions. Why is the market share test hard to do? What is meant by *product versioning* and *bundling*? When are they illegal? Why?

Chapter 29: What is meant by MRP? Why is it = MPP*MR (sometimes called MP*MR). Why is that usually MP*P? What is meant by MFC? Why is the demand for labor the same as MRP? Note the vertical axis should be $/L or wage. Do not worry about how the book derives the market demand for labor because it is too complicated for this level course. What determines the labor supply? What moves labor demand and labor supply? What is meant by *outsourcing* and why would firms do that? How does it affect the wages in the two countries? What are the costs and benefits to society of it? Why do monopolists hire fewer workers? Why should MPL/w = MPK/r where w is the wage rate and r is the rental rate?

Chapter 30: What are labor unions and collective bargaining? What do the following terms mean: *right-to-work laws, closed shop, union shop, sympathy strike,* and *secondary boycott*? What has happened to union membership in the USA over time? What are the advantages and disadvantages of unions? How do they achieve their goals? What is meant by *featherbedding*? Do not worry about monopsony.

This is the non-graded Assignment #9A that will be reviewed with Assignment #9.

1) (20 points each) Illustrate each of the following events on the supply and demand for labor of college professors. Explain why the curve(s) moved as drawn.

A) The demand for a college education increases.
B) More people get a Ph.D.

2) (15 points) Why should MPL/w = MPK/r?

3) (25 points) Unions are controversial in the USA. Some of them are excellent, but some are poor. Explain how a union could end up hurting its members in the long run. How could it help its members?

4) (10 points each) For each of the terms below, explain what it is and how it affects the unions' ability to get a high wage rate.
A) closed shop
B) sympathy strike

Review sheet for the Final.

My finals are comprehensive. I try to evenly cover the material from the four tests and Chapter 31. I will put on the important topics and I will have a few questions on topics I had wanted to ask, but I did not have enough time on the tests to ask about.

Chapter 31 through page 799: What is the Lorenz Curve and the Gini Coefficient? What is wrong with a large Gini Coefficient and what is wrong with a small Gini Coefficient? What determines who earns the most (age, human capital, inheritance, discrimination)? What is meant by *human capital* and how can you get it? What is poverty? What is the difference between *absolute poverty* and *relative poverty*? Why has the income gap grown faster than the spending gap in the USA? What does the government do to reduce poverty?

Questions based upon Chapter 31

1) (20 points) What do you think is the Gini Coefficient for the graph to the right? Explain how you reached that conclusion.

2) (20 points) Why is too small a Gini Coefficient bad for an economy? Explain your logic.

3) (20 points) Why has the income gap grown faster in the USA than the spending gap?

4) (20 points) Explain economic reasons why children of poor parents generally earn less later on in life, even if they do not face discrimination.

5) (20 points) What is the economic reason that racial and sexual discrimination hurt the economy. Note, I am not asking for answers involving morals even though there are a lot of moral reasons why discrimination harms the country.

Cumulative % of income

Equality

Lorenz Curve

Cumulative % of population