

Exam 3 Review



CARA STEPHENS

Externalities



CHAPTER 5
HOMEWORK 14

Terms



- Externality
- Negative externality
 - Possible solutions
- Positive externality
- Free Rider

Major Events/Stories/Videos



- River of Waste-Eastern Oklahoma
- Bridesmaids
- Cuyahoga River
- Fracking

General Theory of Prices



CHAPTER 6
HOMEWORK 14
HOMEWORK 15
HOMEWORK 16

Terms



- Opportunity Cost
- Value
- Utilities
 - Time
 - Form
 - Place
 - Possession

Major Events/Stories/Videos



- Fig Prices in Ancient Athens
- Todd Margaret
- Individually wrapped bananas
- Homer's doughnuts
- Ticketmaster

Equations



- FV = future value
- PV = present value
- r = interest rate
- t = time

$$FV = PV(1 + r)^t$$

$$PV = FV (1 + r)^{-t}$$

Graphs/Tables



The table below illustrates the rate at which a particular species of tree will grow if allowed to age. Assume that each ton of wood harvested yields a profit of **\$0.15 per ton per acre**. Also assume that money may be invested safely at an **interest rate of 3%**, and any money from harvesting trees would be invested at this rate. Fill in the cells in Columns C and D with the proper numerical value, and then indicate the optimal harvest age for the tree stand. Use two decimal places every where. Hint: allow trees to grow another year so long as that makes more money than harvesting now and investing the money for one year.

Column A: Age of stand in years	Column B: Tons per Acre harvested from stand	Column C: Accounting Profits if harvested that year	Column D: Accounting profits if harvested last year and invested
28	12000		
29	14800		
30	16000		
31	16800		
32	17000		

Supply and Demand



CHAPTER 7
HOMEWORK 17
HOMEWORK 18

Terms



- Supply curve
- Demand curve
- Equilibrium Price & Quantity

Equations



- B is y intercept
- M is the slope (rise over run)
- X and Y are a point on the graph

$$Y = b + mx$$

Graphs



- Know how to draw a graph by using calculations (if slope is a number like 0.00011)
- Know how to calculate equilibrium price and quantity from equations only
- Know effects if price or quantity are not at equilibrium
- Know how to shift demand and supply curves if given and increase or decrease
- Know how to give me an equation by looking at a graph
- Know what it means if I say “the slope becomes a larger number” also if I say “the intercept becomes a larger number
- Know how to tell me the curve moved if I tell you what the change in equilibrium price and quantity were