Microeconomics exam 2 Cheat Sheet by db329 via cheatography.com/163736/cs/34835/

Chapter 6: Price Controls

Price Controls an attempt to set prices through government regulations in the market Price Ceiling a legally established maximum price for a good or service Black Markets liegal markets that arise when price controls are in place Price Courol a price ceiling that applies to the market for apartment rentals Price Goog (ang Laws) a legally established minimum price for a good or service Minimum Wage the lowest hourly wage rate that firms may legally pay their workers Non-Binding Price price ceiling is above the equilibrium price Controls price loan above the equilibrium price Price Room price loan above the equilibrium price Non-Binding Price Elion price loan above the equilibrium price Non-Binding Price Elion price loan above the equilibrium price Briding Price Ceiling is shortapes, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black market Subding Price Ceiling in substrum there is a shortage (along with the other consequences described above) and in the formance Subridge Structure equilibrium price price alore equilibrium price Rome Structure equilibrium price shortapes epands)	Vocabulary	
Black MarketsIllegal markets that arise when price controls are in placeRent Controla price ceiling that applies to the market for apartment rentalsPrice Gouging Lawstemporary ceilings on the prices that sellers can charge during times of emergencyPrice Floora legally established minimum price for a good or serviceMinimum Wagethe lowest hourly wage rate that firms may legally pay their workersNon-Binding Priceprice ceiling is above the equilibrium priceControlprice ceiling is below the equilibrium priceBinding Price Floorprice foor above the equilibrium priceBinding Price Floorprice foor above the equilibrium priceBinding Price Floorprice floor above the equilibrium priceBinding Price Ceilingshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Ceiling san thiftence the marketBinding Price Ceiling sin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result from.political pressures of suppliers to keep prices highPrice Gologing laws causehe same consequences as the a binding price ceiling HOWEVER this is temporary as the market will return to normal after the disaster is overNon-binding Price Floors reasehave no impact on the marketPrice gouging laws causehe same consequences as the a binding price ceiling HOWEVER this is temporary as the market w	Price Controls	an attempt to set prices through government regulations in the market
Rent Controla price celling that applies to the market for apartment rentalsPrice Gouging Lawstemporary cellings on the prices that sellers can charge during times of emergencyPrice Floora legally established minimum price for a good or serviceMinimum Wagethe lowest hourly wage rate that firms may legally pay their workersNon-Binding Priceprice celling is above the equilibrium priceControlsprice celling is below the equilibrium priceBinding Price Cellingprice floor above the equilibrium priceBinding Price Cellingprice floor above the equilibrium priceBinding Price Floorprice floor above the equilibrium priceBinding Price Cellingprice floor above the equilibrium priceBinding Price Cellingshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black market sortare as analer quantity supplied, and higher price for those who purchase the good on the black market shortage expands)Non-binding Price Celling in the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result from causepolitical pressures of suppliers to keep prices highPrice Gloors floor dual after the disaster is overnormal after the disaster is overNon-binding price floorshe same consequences as the a binding price celling HOWEVER this is temporary as the market will return to normal after the disaster is overNon-binding price Floorshe con impact on the market <td< td=""><td>Price Ceiling</td><td>a legally established maximum price for a good or service</td></td<>	Price Ceiling	a legally established maximum price for a good or service
Price Gouging Lawstemporary ceilings on the prices that sellers can charge during times of emergencyPrice Floora legally established minimum price for a good or serviceMinimum Wagethe lowest hourly wage rate that fims may legally pay their workersNon-Binding Price Controlsprice ceiling is above the equilibrium priceBinding Price Ceilingprice ceiling is below the equilibrium priceBinding Price Ceilingprice foor above the equilibrium priceNon-binding price floorprice floor tabove the equilibrium priceRelationshipsmicrease, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Ceiling is aabort run there is a shortage (along with the other consequences described above) and in the long run the short run versus long runPrice Floors result from.political pressures of suppliers to keep prices highPrice gouging laws causehave no inspace to reduce the surplus, producers are worse off, smaller quantity demanded, black causeBinding Price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black causePrice Floors result from.a surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black causeBinding Price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black causeNon-binding price Floors causein the short run there is a surplus (along with the other consequences described above) and in the long run the surplus.<	Black Markets	illegal markets that arise when price controls are in place
Price Floora legally established minimum price for a good or serviceMinimum Wagethe lowest hourly wage rate that firms may legally pay their workersNon-Binding Price Controlsprice ceiling is above the equilibrium priceBinding Price Ceilingprice ceiling is below the equilibrium priceBinding Price Ceilingprice ceiling is below the equilibrium priceBinding Price Ceilingprice floor above the equilibrium priceNon-binding price floorprice floor below the equilibrium priceRelationshipsBinding Price Ceilingshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Ceiling in sin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result from.political pressures of suppliers to keep prices highPrice googing laws causehave no impact on the marketBinding Price Floorsa surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black causeBinding Price Floors in the short run versus long in thru versus long in thru versus long in thru et eliminate surplusPrice Floors result from.political pressures of suppliers to keep prices highPrice Googing laws causehave no impact on the marketBinding Price Floors causehave no impact on the marketBinding Price Floors in the short run versus long mi anarte	Rent Control	a price ceiling that applies to the market for apartment rentals
Minimum Wagethe lowest hourly wage rate that firms may legally pay their workersNon-Binding Price Controlsprice celling is above the equilibrium priceBinding Price Cellingprice celling is below the equilibrium priceBinding Price Cilingprice floor above the equilibrium priceBinding Price Floorprice floor above the equilibrium priceNon-Binding price floorprice floor below the equilibrium priceRelationshipsshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Celling is causeshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Celling is causedo not influence the market gsBinding Price Celling in the short run there is a shortage (along with the other consequences described above) and in the long run the causePrice Goog going laws causeboltical pressures of suppliers to keep prices highPrice gouging laws causehave no impact on the marketBinding Price Floors causehave no impact on the market	Price Gouging Laws	temporary ceilings on the prices that sellers can charge during times of emergency
Non-Binding Price Controlsprice ceiling is above the equilibrium priceBinding Price Ceilingprice ceiling is below the equilibrium priceBinding Price Ceilingprice floor above the equilibrium priceBinding Price Floorprice floor above the equilibrium priceNon-Binding price floorprice floor below the equilibrium priceRelationshipsshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-Binding Price Ceiling S causeahort angles, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-Binding Price Ceiling S causeahort angles, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black market gsBinding Price Ceiling in runin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result from run alter the disaster is over Non-binding price floorshave no impact on the marketBinding Price Floors causehave no impact on the marketBinding Price Flo	Price Floor	a legally established minimum price for a good or service
ControlsBinding Price Ceilingprice ceiling is below the equilibrium priceBinding Price Floorprice floor above the equilibrium priceNon-binding price floorprice floor below the equilibrium priceRelationshipsshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Ceilina gdo not influence the market shortage expands)Binding Price Ceilina in the short run versus long runin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result from. run versus long runpolitical pressures of suppliers to keep prices highNon-binding price Floors causehave no impact on the market shortage expands)Non-binding price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors causein the short run there is a surplus (along with the other consequences described above) and in the long run the shortage expands)Non-binding price Floors causehave no impact on the market singerBinding Price Floors causehave no impact on the market singerBinding Price Floors causein the short run there is a surplus (along with the other consequences described above) and in the long run the singerBinding Price Floors in the short run versus long mi the other innate surplusin the short run t	Minimum Wage	the lowest hourly wage rate that firms may legally pay their workers
Binding Price Floorprice floor above the equilibrium priceNon-binding price floorprice floor below the equilibrium priceRelationshipsBinding Price Ceilings causeshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Ceilins gsdo not influence the market shortage expands)Binding Price Ceiling in the short run versus long runin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result frompolitical pressures of suppliers to keep prices highPrice gouging laws causehave no impact on the market sortage active is overNon-binding price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the short gausePrice Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsin the sadu unemployment, less hours for employees, and worse benefits	Ũ	price ceiling is above the equilibrium price
Non-binding price floorprice floor below the equilibrium priceRelationshipsBinding Price Ceilings causeshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black market gsNon-binding Price Ceiling in the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result frompolitical pressures of suppliers to keep prices high normal after the disaster is overNon-binding price floorshave no impact on the market surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus attent the disaster is overNon-binding price floors.have no impact on the market market to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsin the short run there is a surplus for employees, and worse benefits	Binding Price Ceiling	price ceiling is below the equilibrium price
RelationshipsBinding Price Ceilings causeshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Ceilin- gsdo not influence the market gsBinding Price Ceiling in the short run versus long runin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands) runPrice Floors result from causepolitical pressures of suppliers to keep prices highPrice gouging laws causehave no impact on the market ormal after the disaster is overNon-binding price Floors causehave no impact on the market ormal after the disaster is overBinding Price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplus unplusBinding Price Floors causein the short run there is a surplus (along with the other consequences described above) and in the long run the short run versus long runBinding Price Floors causehave no impact on the market market to eliminate surplus price Floors in the short run versus long runBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expands <t< td=""><td>Binding Price Floor</td><td>price floor above the equilibrium price</td></t<>	Binding Price Floor	price floor above the equilibrium price
Binding Price Ceilings causeshortages, decrease in good quality, opportunity of finding the good will increase, black markets for the good will increase, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Ceilin- gsdo not influence the market gsBinding Price Ceiling in the short run versus long runin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result from Price gouging laws causepolitical pressures of suppliers to keep prices high the same consequences as the a binding price ceiling HOWEVER this is temporary as the market will return to normal after the disaster is overNon-binding Price Floorshave no impact on the market market to eliminate surplusBinding Price Floors in the short run there is a surplus (along with the other consequences described above) and in the long run the surplus arket to eliminate surplusBinding Price Floors in the short nu nerseta surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors in the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsincreased unemployment, less hours for employees, and worse benefits	Non-binding price floor	price floor below the equilibrium price
causeincrease, smaller quantity supplied, and higher price for those who purchase the good on the black marketNon-binding Price Ceiling in the short run versus long runin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result frompolitical pressures of suppliers to keep prices highPrice gouging laws causethe same consequences as the a binding price ceiling HOWEVER this is temporary as the market will return to normal after the disaster is overNon-binding price Floors causehave no impact on the marketBinding Price Floors in the short run there is a surplus (along with the other consequences described above) and in the long run the surplus are to eliminate surplusBinding Price Floors in the short run there is a surplus (along with the other consequences described above) and in the long run the surplus are to eliminate surplusBinding Price Floors in the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsBinding Price Floors in the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsincreased unemployment, less hours for employees, and worse benefits	Relationships	
gsgsBinding Price Ceiling in the short run versus long runin the short run there is a shortage (along with the other consequences described above) and in the long run the shortage expands)Price Floors result frompolitical pressures of suppliers to keep prices high the same consequences as the a binding price ceiling HOWEVER this is temporary as the market will return to normal after the disaster is overNon-binding price floorsBinding Price FloorsBinding Price Floors in the short run versus long runBinding Price Floors in the short run versus long		
the short run versus long runshortage expands)Price Floors result frompolitical pressures of suppliers to keep prices highPrice gouging laws causethe same consequences as the a binding price ceiling HOWEVER this is temporary as the market will return to normal after the disaster is overNon-binding price floorshave no impact on the marketBinding Price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsincreased unemployment, less hours for employees, and worse benefits	0	do not influence the market
Price gouging laws causethe same consequences as the a binding price ceiling HOWEVER this is temporary as the market will return to normal after the disaster is overNon-binding price floorshave no impact on the marketBinding Price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsincreased unemployment, less hours for employees, and worse benefits	the short run versus long	
causenormal after the disaster is overNon-binding price floorshave no impact on the marketBinding Price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsincreased unemployment, less hours for employees, and worse benefits	Price Floors result from	political pressures of suppliers to keep prices high
Binding Price Floors causea surplus, illegal discounts to reduce the surplus, producers are worse off, smaller quantity demanded, black market to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsincreased unemployment, less hours for employees, and worse benefits	0 0 0	
causemarket to eliminate surplusBinding Price Floors in the short run versus long runin the short run there is a surplus (along with the other consequences described above) and in the long run the surplus expandsMinimum wage lawsincreased unemployment, less hours for employees, and worse benefits	Non-binding price floors	have no impact on the market
short run versus long runsurplus expandsMinimum wage lawsincreased unemployment, less hours for employees, and worse benefits	0	
	-	
	-	increased unemployment, less hours for employees, and worse benefits

\mathbf{C}

By db329 cheatography.com/db329/ Not published yet. Last updated 25th October, 2022. Page 1 of 6.

Microeconomics exam 2 Cheat Sheet by db329 via cheatography.com/163736/cs/34835/

Market Inefficiencies

Definitions	
Externalities	the costs or benefits of a market activity that affect a third party
Market Failure	condition occurring when there is an inefficient allocation of resources in a market
Internal Costs	the costs of a market activity paid only by an individual participant
External Costs	the costs of a market activity imposed on people who are not participants in that market
Social Costs	the sum of the internal costs and external costs of a market activity
Third-Party Problem	a situation in which those not directly involved in a market activity experience negative or positive externalities
Social Optimum	the price and quantity combination that would exist if there were no externalities
Internalize	relating to a firm's handling of externalities, to take into account the external costs (or benefits) to society that occur as a result of the firm's actions
Property Rights	an owner's ability to exercise control over a resource
Private Property	provision of an exclusive right of ownership that allows for the use, and especially the exchange, of property
Coase Theorem	theorem stating that if there are no barriers to negotiations, and if property rights are fully specified, interested parties will bargain to correct externalities
Excludable Good	a good for which access can be limited to paying customers
Rival Good	a good that cannot be enjoyed by more than one person at a time
Private Good	excludable and rival
Public Good	Non-excludable and nonrival;a good that can be consumed by more than one person, and from which nonpayers are difficult to exclude
Free-Rider Problem	phenomenon occurring when someone receives a benefit without having to pay for it
Club Good	nonrival and excludable
Common-resource good	rival and nonexcludable



By **db329**

cheatography.com/db329/

Not published yet. Last updated 25th October, 2022. Page 2 of 6.

Microeconomics exam 2 Cheat Sheet by db329 via cheatography.com/163736/cs/34835/

Market Inefficiencies (cont)	
Cost-benefit analysis	a process that economists use to determine whether the benefits of providing a public good outweigh the costs
Tragedy of the Commons	the depletion of a common-resource good
Cap and Trade	an approach used to curb pollution by creating a system of emissions permits that are traded in an open market
Relationships	
Correct negative externalities with	taxes or charges
Correct positive externalities with	subsidies or government provision

Business Costs and Production	
Vocabulary	
Total Revenue	the amount a firm receives from the sale of goods and services
Total Cost	the amount a firm spends to produce and/or sell goods and services
Profit	the result when total revenue is higher than total cost
Loss	the result when total revenue is less than total cost
Explicit Costs	tangible out-of-pocket expenses
implicit costs	the costs of resources already owned, for which no out-of-pocket payment is made
Accounting Profit	profit calculated by subtracting a firm's explicit costs from total revenue
Economic Profit	profit calculated by subtracting both the explicit costs and the implicit costs from a firm's total revenue
Output	the production the firm creates
Factors of Production	the inputs (labor, land, and capital) used in producing goods and services
Production Function	the relationship between the inputs a firm uses and the output it creates
Marginal Product	the change in output associated with one additional unit of an input
Diminishing Marginal Product	condition occurring when successive increases in inputs are associated with a slower rise in output
Variable Costs	costs that change with the rate of output
Fixed Costs	costs that do not vary with a firm's output in the short run; also known as overhead
Average Variable Cost (AVC)	an amount determined by dividing a firm's total variable costs by the output



By db329 cheatography.com/db329/ Not published yet. Last updated 25th October, 2022. Page 3 of 6.

Microeconomics exam 2 Cheat Sheet by db329 via cheatography.com/163736/cs/34835/

Areage Fixed Cosk (AFC)an an undetermined winding a firm's total fixed cosk synthem outputAreage Table Cosk (AFC)He increase incosk share and and an and additional and incosk synthem outputAreage Cosk (AFC)He increase incosk share and	Business Costs and Production (c	ont)
Marginal Cost (MC)the increase in cost that occurs from producing one additional unit of outputScalethe output level that minimizes average total cost in the long runEfficient Scalecondition occurring when long-run average total costs in the long runEconomies of Scalecondition occurring when long-run average total costs rise as output expandsConstant Returns to scale (or constant economies of scale)condition occurring when long-run average total costs rise as output expandsConstant Returns to scale (or constant economies of scale)condition occurring when long-run average total costs runs as output expandsPatabona and relatorshipscondition occurring when long-run average total costs runsaverage fixed costs curveparabola-ish shaped above average fixed costs curveaverage total costs curveparabola-ish shaped above average fixed costs curve and below average variable cost urve and droses average variable costs runsaverage total costs curveparabola-ish shaped above average fixed costs curve and below average variable cost urve and aroses average variable costs + implicit costsrotal cost = explicit costs + implicit costsserage variable cost urve and variage total costs curve and below average variable cost urve and uroses average variable cost + implicit costsrotal cost = cost in profit = total revenue - typicit costs + implicit costscost implicit costsrotal cost = total variable cost + uvariage fixed cost average total cost = total variable cost + uvariage fixed costcost implicit costsrotal cost = total variable cost = vareage fixed costcost = uvareage total cost = vareage fixed costrotal cost = tot	Average Fixed Cost (AFC)	an amount determined by dividing a firm's total fixed costs by the output
Scale the size of the production process Efficient Scale the output level that minimizes average total cost in the long run Economies of Scale condition occurring when long-run average total cost is decline as output expands Diseconomies of Scale condition occurring when long-run average total costs rise as output expands Constant Returns to scale (or constant economies of scale) condition occurring when long-run average total costs remain constant as output expands Equations and relationships average fixed costs curve parabola-ish shaped above average fixed costs curve average total costs curve parabola-ish shaped above average fixed costs curve average variable cost curve and average fixed costs curve and below average variable cost curve and average variable costs curve and percess average variable cost curve and average variable costs curve and percess average total costs + implicit costs average variable cost curve and average fixed costs curve and below average variable cost curve and average variable cost curve and vareage variable cost curve and vareage variable cost curve and average total costs = explicit costs + implicit costs average fixed cost = total revenues - total costs average fixed cost = total revenues - total fixed cost average variable cost = total averable cost / quantity average total cost = total variable cost / quantity average fixed cost = total total cost / quantity average total cost = tota	Average Total Cost (ATC)	the sum of average variable cost and average fixed cost
Efficient Scaleteouput level that minimizes average total cost in the long runEconomies of Scalecondition occurring when long-run average total costs rise as output expandsDiseconomies of Scalecondition occurring when long-run average total costs remain constant as output expandsConstant Returns to scale (or constant economies of scale)condition occurring when long-run average total costs remain constant as output expandsFuerose fixed costs curvewill never increase gets closer and closer to zeroaverage fixed costs curveparabola-ish shaped above average fixed costs curve and below average variable costs curveaverage total costs curveparabola-ish shaped above average fixed costs curve and below average variable cost curve and parage avaitable cost curve and average total costs curve and below average variable cost curve and average total costs unve at their minimumtotal cost = explicit costs + implicit costseconomic profit = total revenues - to-sisaccounting profit = total revenues - to-siseconomic profit = total revenues - total fixed costsconomic profit = total revenues - total indict costsimplicit costsaverage total cost = total fixed costs - turpitic costseconomic profit = total revenues - total rev	Marginal Cost (MC)	the increase in cost that occurs from producing one additional unit of output
Economies of Scalecondition occurring when long-run average total costs decline as output expandsDiseconomies of Scalecondition occurring when long-run average total costs rise as output expandsConstant Returns to scale (or constant economies of scale)condition occurring when long-run average total costs remain constant as output expandsEquations and relationshipswill never increase gets closer and closer to zero average variable costs curveaverage total costs curveparabola-ish shaped above average fixed costs curve average variable costs curveaverage total costs curveparabola-ish shaped above average fixed costs curve alt below average variable cost curve and average total costs curve at their minimumtotal cost = explicit costs + implicit costsparabola-ish shaped above average fixed costs curve at their minimumtotal cost = explicit costs + implicit costs - implicit costs + implicit cost + imp	Scale	the size of the production process
Diseconomies of Scale or conting when long-run average total costs rise as output expands onstant economies of scale) condition occurring when long-run average total costs remain constant as output expands onstant economies of scale) costs are national costs run average total costs remain constant as output expands onstant economies of scale) will never increase gets closer and closer to zero average trade costs curve aprabola-ish shaped above average fixed costs curve arable costs curve arable costs curve arable. In the series of the series	Efficient Scale	the output level that minimizes average total cost in the long run
Constant Returns to scale (or condition occurring when long-run average total costs remain constant as output expands Equations and relationships average fixed costs curve will never increase gets closer and closer to zero average variable costs curve parabola-ish shaped above average fixed costs curve average total costs curve parabola-ish shaped above average fixed costs curve marginal costs curve parabola-ish shaped above average fixed costs curve and below average variable cost curve and crosses average variable cost curve and below average variable cost curve and crosses average variable cost curve and below average variable cost curve and crosses average total costs curve and below average variable cost curve and crosses average total costs curve and below average variable cost curve and crosses average total costs curve and below average variable cost curve and crosses average total costs curve and below average variable cost curve and crosses average total costs curve and below average variable cost curve and crosses average total costs curve and below average variable cost curve and crosses average total costs curve and below average variable cost curve and crosses i cost average variable cost + total costs coton cost profit = total revenue - explicit costs + implicit costs cononic profit = total revenue - explicit costs / quantity average total cost = total variable cost / quantity average total cost = total variable cost / quantity average total cost = total variable cost / change in quantity marginal cost = change in total cost / change in qua	Economies of Scale	condition occurring when long-run average total costs decline as output expands
constant economies of scale) Constant economies of scale) Equations and relationships average fixed costs curve avarage fixed costs curve avarage total costs curve avarage total costs curve avarage variable costs curve and average fixed costs curve and below average variable cost curve and costs average variable cost curve and average total costs curve and below average variable cost curve and costs average variable cost curve and average total costs curve and below average variable cost curve and costs average variable cost surve and average total costs curve and below average variable cost curve and costs average variable costs + implicit costs accounting profit = total revenues - tots costs - total revenues - total costs + implicit costs costs + implicit costs + implicit costs costs + implicit costs + implicit costs costant returne or fit = total revenues - (explicit costs + implicit costs costant returne or fit = total revenues - (explicit costs + implicit costs costant returne or fit = total revenues - (explicit costs + implicit costs costant returne to total total cost / quantity average fixed cost = total variable cost / quantity average total cost = total fixed cost / quantity ranginal cost = change in total cost / change in quantity ranginal cost = change in total cost / change in quantity ranginal cost = change in total cost / change in quantity ranginal cost acherees total cost = corver for diseconomies of scale increases constant returms to sca	Diseconomies of Scale	condition occurring when long-run average total costs rise as output expands
average fixed costs curvewill never increase gets closer and closer to zeroaverage variable costs curveparabola-ish shaped above average fixed costs curveaverage total costs curveparabola-ish shaped above average variable costs curve and below average variable cost curve and below average variable cost curve and below average variable cost curve and cost average variable cost curve and below average variable cost curve and cost average variable cost curve and below average variable cost curve and cost average variable cost curve and below average variable cost curve and below average variable cost curve and cost average variable cost curve and varage total costs curve and their minimumtotal cost = explicit costs + implicit coststotal cost = explicit costs + implicit costsprofit (rol loss) = total revenues - variable cost + implicit costs + interventionaverage variable cost = total variable cost / quantityaverage total cost = total fixed cost / quantityaverage total cost = total total cost / quantitycost - varage total cost = change in total cost / change in quantityrarginal cost = change in total cost / curve forthe long run the average total cost = corve fordisconomics of scale increasecurve forcostant returns to scale levels outcurve for	,	condition occurring when long-run average total costs remain constant as output expands
average variable costs curveparabola-ish shaped above average fixed costs curveaverage total costs curveparabola-ish shaped above average variable cost curve and below average variable cost curve and costs curve and below average variable cost curve and costs curve and their minimumtotal cost = explicit costs + implicit costsparabola-ish shaped above average fixed costs curve and below average variable cost curve and average total costs curve and their minimumtotal cost = explicit costs + implicit costsparabola-ish shaped above average fixed costs curve and their minimumtotal cost = explicit costs + implicit costsportit (or loss) = total revenues - explicit costs + implicit costs)economic profit = total revenues - (explicit costs + implicit costs)portit costs + implicit costsconomic profit = coat variable cost - (explicit costs + implicit costs)portit costs + intellicit costsrotal costs = total variable cost / quantityquarage variable cost - quantityaverage total cost = total fixed cost / quantityquarage total cost = average variable cost / change in quantitymarginal cost = change in total cost / change in quantityparagin quantityin the long run the average total cost / change in quantityparagin quantityin the long run the average total cost = curve forgueron for curve fordiseconomies of scale increasescostant returns to scale levels out	Equations and relationships	
average total costs curveparabola-ish shaped above average variable costs curvemarginal costs curveparabola-ish shaped above average fixed costs curve and below average variable cost curve and average total costs curve at their minimumtotal cost = explicit costs + implicit costsprofit (or loss) = total revenues - total costsaccounting profit = total revenues - total costs + implicit costseconomic profit = total revenues - (explicit costs + implicit costs)economic profit = accounting profit - implicit costsaverage variable cost + total fixed costs + implicit costsaverage variable cost = total variable cost / quantityaverage total cost = total loxed cost / quantityaverage total cost = cost in total cost / change in quantitymarginal cost = change in total cost / change in quantityin the long run the average total cost curve fordiseconomies of scale increasesconstant returns to scale levels out	average fixed costs curve	will never increase gets closer and closer to zero
marginal costs curveparabola-ish shaped above average fixed costs curve and below average variable cost curve and average total costs curve at their minimumtotal cost = explicit costs + implicit costsprofit (or loss) = total revenues - total costsaccounting profit = total revenue - explicit costseconomic profit = total revenue - explicit costs + implicit costs)economic profit = accounting profit - implicit costsTotal costs = total variable cost + total fixed costsaverage variable cost = total variable cost / quantityaverage total cost = total total cost / quantityaverage total cost = total variable cost / change in quantitymarginal cost = change in total cost / change in quantityin the long run the average total cost curve fordiseconomies of scale increasesconstant returns to scale levels out	average variable costs curve	parabola-ish shaped above average fixed costs curve
average variable cost curve and average total costs curve at their minimum total cost = explicit costs + implicit costs profit (or loss) = total revenues - total costs accounting profit = total revenue - explicit costs economic profit = total revenues - (explicit costs + implicit costs) economic profit = accounting profit - implicit costs Total costs = total variable cost + total fixed costs average variable cost = total variable cost / quantity average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases costant returns to scale levels out	average total costs curve	parabola-ish shaped above average variable costs curve
profit (or loss) = total revenues - total costs accounting profit = total revenue - explicit costs economic profit = total revenues - (explicit costs + implicit costs) economic profit = accounting profit - implicit costs Total costs = total variable cost + total fixed costs average variable cost = total variable cost / quantity average total cost = total total cost / quantity average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	marginal costs curve	
accounting profit = total revenue - explicit costs economic profit = total revenues - (explicit costs + implicit costs) economic profit = accounting profit - implicit costs Total costs = total variable costs + total fixed costs average variable cost = total variable cost / quantity average total cost = total total cost / quantity average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases	total cost = explicit costs + implicit	t costs
economic profit = total revenues - (explicit costs + implicit costs) economic profit = accounting profit - implicit costs Total costs = total variable costs + total fixed costs average variable cost = total variable cost / quantity average fixed cost = total fixed cost / quantity average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases	profit (or loss) = total revenues - to	otal costs
economic profit = accounting profit - implicit costs Total costs = total variable costs + total fixed costs average variable cost = total variable cost / quantity average fixed cost = total total cost / quantity average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	accounting profit = total revenue -	explicit costs
Total costs = total variable costs + total fixed costs average variable cost = total variable cost / quantity average fixed cost = total fixed cost / quantity average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity marginal cost = change in total cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases	economic profit = total revenues -	(explicit costs + implicit costs)
average variable cost = total variable cost / quantity average fixed cost = total fixed cost / quantity average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity marginal cost = change in total cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	economic profit = accounting profi	t - implicit costs
average fixed cost = total fixed cost / quantity average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity marginal cost = change in total cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	Total costs = total variable costs +	- total fixed costs
average total cost = total total cost / quantity average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity marginal cost = change in total cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	average variable cost = total varia	ble cost / quantity
average total cost = average variable cost + average fixed cost marginal cost = change in total variable cost / change in quantity marginal cost = change in total cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	average fixed cost = total fixed co	st / quantity
marginal cost = change in total variable cost / change in quantity marginal cost = change in total cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	average total cost = total total cos	t / quantity
marginal cost = change in total cost / change in quantity in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	average total cost = average variable cost + average fixed cost	
in the long run the average total cost curve for diseconomies of scale increases constant returns to scale levels out	marginal cost = change in total variable cost / change in quantity	
diseconomies of scale increases constant returns to scale levels out	marginal cost = change in total cost / change in quantity	
constant returns to scale levels out	in the long run the average total cost curve for	
	diseconomies of scale increases	
economies of scale decreases	constant returns to scale levels out	
	economies of scale decreases	



By **db329**

cheatography.com/db329/

Not published yet. Last updated 25th October, 2022. Page 4 of 6.

Firms in a Competitive Market		
Definitions		
Price taker	a firm with no control over the price set by the market	
Marginal Revenue	the change in total revenue a firm receives when it produces one additional unit of output	
Profit-Maximizing Rule	the rule stating that profit maximization occurs when a firm chooses the quantity of output that equates marginal revenue and marginal cost, or MR = MC	
Sunk Costs	unrecoverable costs that have been incurred as a result of past decisions	
Signals	information conveyed by profits and losses about the profitability of various markets	
Relationships		
Breakeven point	lowest point on ATC curve	
If MC>P	decrease output	
entry and exit play a crucial role in signaling wh	nere to guide resources in markets	
losses signal that there are too many firms in the	ne industry relative to market demand	
Characteristics of a competitive market	many sellers, similar products, free entry and exit, price taking, every firm is small	
Calculate profit from graph	price at quantity minus ATC at quantity times quantity	
when to operate versus when to shut down in terms of MR	if MR>minimum ATC, then firm earns profit; if AVC <mr<atc, a="" at="" down<="" firm="" if="" loss;="" mr<avc,="" operate="" shut="" td="" the="" then="" will=""></mr<atc,>	
when to operate versus when to shut down in the short run in terms of P	if P>ATC, then firm earns profit; if ATC>P>AVC, then firm will operate to minimize loss; if P <avc, down<="" firm="" shut="" td="" temporarily="" the="" then="" will=""></avc,>	
the short-run supply curve and marginal cost co curve. Below that point, the firm shuts down an	urve are equivalent when the price is above the minimum point on the average variable cost d no supply exists	
The long-run supply curve and marginal cost curve are equivalent when the price is above the minimum point on the average total cost curve. Below that point, the firm shuts down and no supply exists.		
long-run shutdown criteria	if P>ATC, then the firm makes a profit; if P <atc, down<="" firm="" shut="" td="" the="" then="" will=""></atc,>	
The market supply is determined by summing t	the individual supplies of all the firms in the market	
In the long run the price is equal to the minimum point on the ATC curve and the long run supply curve is horizontal		
when there is a decrease in demand the price drops and and quantity drops and the firm incurs a short run loss		
in the long run a decrease in demand will cause brium	e some firms to exit the market decreasing supply and shifting everything back to market equili-	
Understanding Monopolies		
Definitions		
Monopoly power measure of a m	nonopolist's ability to set the price of a good or service	

Barriers to entry

restrictions that make it difficult for new firms to enter a market



By db329 cheatography.com/db329/ Not published yet. Last updated 25th October, 2022. Page 5 of 6.

Understanding Monopolies (co	nt)
natural monopoly	the situation that occurs when a single large firm has lower costs than any potential smaller competitor
price maker	a firm with some control over the price it charges
renk seeking	occurs when resources are used to secure monopoly rights through the political process
Relationships	
the lowest a government can for	prce a monopoly to charge is at the breakeven point
Conditions to become a monopoly	unique product/service, a way to prevent competitors from entering the market
Natural Barriers to entry	control of resources, problems raiding capital, economies of scale
government-created barriers	licensing, patents and copyright law
characteristics of monopolies	one seller, a unique product without close substitutes, high barriers to entry, price making, may earn long-run economic profits, produces less than the efficent level of output (because P>MC)
demand curve for compet- itive firm versus monopoly	competitive firm: horizontal; monopolist: downward sloping
price effect	how a lower price effects revenue
output effects	how a lower price reflects the number of consumer
profit-maximizing rule for monopolies	produce at the quantity where MC=MR but set price at where that quantity intersects the demand curve
calculate monopoly profit	price minus ATC times quantity
problems with monopoly	inefficient output and price, few choices for consumers, rent seeking
solutions to the problems of monopoly	breaking up the monopoly, reducing trade barriers, regulating markets

Link to Graph Document

https://docs.google.com/document/d/1oOCFD-5JjJpghhxC2W4pTVPwqSu4Sxxa86qszWiasNo/edit?usp=sharingwareseteentric structure and the structure struc



By db329 cheatography.com/db329/ Not published yet. Last updated 25th October, 2022. Page 6 of 6.