QUESTION: Why do many students discover the principles of economics courses as one of the most difficult experiences in their first two years of college?

ANSWER: Because these two introductory courses combine the study of economic theories with both analysis and applications of those theories. These three aspects of mastering economic theory rely on a basic understanding of the special language of economics.

Since most of you did not study economics in high school, you come to Economics 2310/2320 without that special language or prior knowledge of general economics theory. Yet you must demonstrate that you can analyze and apply these theories in order to pass the course.

The following examples demonstrate this academic challenge. The first level of academic performance is knowledge—the remembering of previously learned material. Whenever you learn (i.e. remember) specific facts or explanations or definitions you are functioning at the knowledge level. A test question at this level might be:

**QUESTION:** To say that two economic goals are mutually exclusive means that:
   a. it is not possible to achieve both goals;
   b. these goals are not accepted as goals in the U.S.S.R.
   c. the achievement of one of the goals results in the achievement of the other;
   d. it is possible to quantify both goals.

ANSWER: a. it is not possible to achieve both goals

or

**QUESTION:** T F Profit is the reward paid to those who provide the economy with capital.

ANSWER: False

This type of question is probably routine for you since knowledge level questions are typically asked on high school tests. But in Economics, only a few (15-20%) of test questions are at this level. Yet it is essential to learn this material because you need the knowledge to function at the next level.

**Comprehension** is the second level of the academic performance. It is the ability to grasp the meaning of the material. This may be shown by translating material from one form to another (words to numbers), by interpreting material (explaining or summarizing), and by estimating future trends (predicting consequences or effects). These learning outcomes go one step beyond the simple remembering of material and represent the lowest level of understanding.

Several examples of comprehension test questions are:

**QUESTION:** If an individual determines to save a larger percentage of his/her income, he/she will no doubt be able to save more. To reason, therefore, that if all individuals determine to save a larger percentage of their incomes, they will be able to save more is an example of:

   a. the post hoc, ergo propter hoc fallacy;
   b. the fallacy of composition;
   c. generalization that is true during a depression but untrue during prosperity;
   d. using loaded terminology.
Comprehension questions comprise 30-40% of most economics tests. Your first test in each course will probably have 50% comprehension questions.

The third level, application, is the ability to use learned material in new and concrete situations. This may include the application of such things as concepts, principles, laws, and theories. Obviously, to function at this level requires both knowledge and comprehension of the relevant material.

Examples of application questions are:

**QUESTION:** The law of supply states that as price increases:
- a. supply increases
- b. supply decreases
- c. quantity supplied increases
- d. quantity supplied decreases

**ANSWER:** c. quantity supplied increases

**QUESTION:** In the table below, if price increases from $5.00 to $6.00, the quantity supplied increases from 30,000 bu. This is an example of:
- a. law of demand
- b. an increase in supply
- c. an increase in demand
- d. law of supply

<table>
<thead>
<tr>
<th>P</th>
<th>QS (1,200 bu. of wheat)</th>
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<tbody>
<tr>
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<td>40</td>
</tr>
<tr>
<td>6.00</td>
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<td>4.00</td>
<td>25</td>
</tr>
<tr>
<td>3.00</td>
<td>20</td>
</tr>
</tbody>
</table>

**ANSWER:** d. law of supply

**QUESTION:** In the graph below, the upward sloping supply curve represents:
- a. law of supply
- b. law of demand
- c. an increase in supply
- d. all of the above

**ANSWER:** a. law of supply
Notice that these three questions are essentially the same question in different formats: verbal, numerical, and graphic.

The first test will have approximately 30% application questions; the remaining tests will have 50-60%.

**Analysis**, the fourth level, is the ability to break down material into its component parts so that its organizational structure may be understood. This may include the identification of the parts, analysis of the relationship(s) between parts, and recognition of the organizational principles involved.

The analysis of the relationship(s) between parts of a theory is especially important in the study of economics. Examples of this level of question are:

**QUESTION:** When government places a ceiling on the price of a good and that ceiling is below the equilibrium price, the result will be:

a. a surplus of the good  
b. a shortage of the good  
c. an increase in the demand for the good  
d. a decrease in the supply of the good

**ANSWER:** b. a shortage of the good

**QUESTION:** An increase in demand and a decrease in supply will:

a. increase price and increase the quantity exchanged  
b. decrease price and decrease the quantity exchanged  
c. increase price and the effect upon quantity exchanged will be indeterminate  
d. decrease price and the effect upon quantity exchanged will be indeterminate

**ANSWER:** c. increase price and the effect upon quantity exchanged will be indeterminate

Analysis questions will probably not occur on your first test, but they will be approximately 10-15% of the remaining tests.