Potential Microeconomic Topics for the Senior Exercise

**General Topics**
- Opportunity cost
- Production possibility frontier
- Positive vs. normative questions
- Rationing and allocative functions of price

**Consumer Theory**
- Budget constraints and indifference curves; consumer equilibrium
- Effects of price change on consumer equilibrium: normal, inferior and Giffen goods
- Effects of income change on consumer equilibrium: normal and inferior goods
- Income and substitution effects of a price change
- Complements and substitutes
- Individual and market demand curves
- Price elasticity: point and arc elasticities
- Relationship between price elasticity and total expenditure
- Income elasticity
- Cross-price elasticity
- Effects of different forms of subsidies and taxes
- Consumer surplus
- Intertemporal consumer choice: changes in income and the interest rate
- Expected utility model
- Risk averse, risk neutral, and risk seeking preferences
- Value of reducing risk and demand for insurance
- Moral hazard
- Adverse selection

**Production and Costs**
- Fixed versus variable inputs; long-run versus short-run
- Total, average, marginal product curves
- Isoquants and isocosts; cost minimization
- Constant, increasing, and decreasing returns to scale
- Total, average, marginal cost curves
- LAC and optimal scale of production
- Relationship between long-run and short-run cost curves

**Competitive Markets**
- Goal of profit maximization; definition of economic profit
- Assumptions of perfectly competitive model
- Short-run profit maximization: break-even and shut-down prices
- Short-run supply curve for competitive firm and competitive industry
- Efficiency of short-run competitive equilibrium
- Producer surplus
- Long-run profit maximization
- Output response to change in output price and to change in input prices
- Long-run competitive equilibrium
Constant-cost, increasing-cost and decreasing-cost industries
Elasticity of supply
Short-run and long-run effects of an excise tax in a competitive industry
Effects of price supports and price ceilings

**Monopoly Markets**
- Sources of monopoly power
- Monopolist's demand and marginal revenue curves
- Long-run adjustment process for monopolist
- Price discrimination
- Distributional effects of monopoly
- Efficiency loss from monopoly
- Cartels
- Natural monopoly
- Effects of excise taxes: monopoly versus perfect competition

**Other Market Structures**
- Game theory: dominant strategy and Nash equilibria
- Monopolistic competition: short-run and long-run equilibriums
- Duopoly models: Cournot, Bertrand and Stackelberg

**Factor Markets**
- Short-run demand for an input
- Long-run demand for an input: substitution and output effects
- Input demand curve for a competitive industry
- Input demand by a monopoly
- Supply of labor: income and substitution effects
- Monopsony
- Effects of minimum wage
- Present value and discounting
- Economic rents

**Other Topics**
- Efficiency and equity
- Gains from international trade
- Externalities
- Coase Theorem
- Internalizing negative externalities
- Public goods