

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