

Microeconomic Topics for 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 adverse, 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 equilibria
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
Public Goods