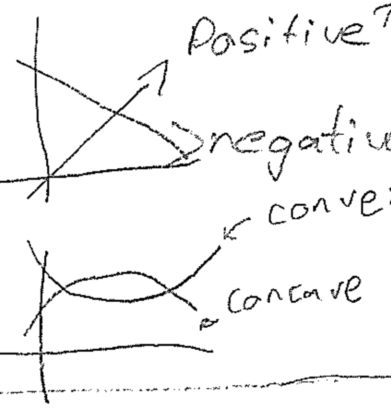
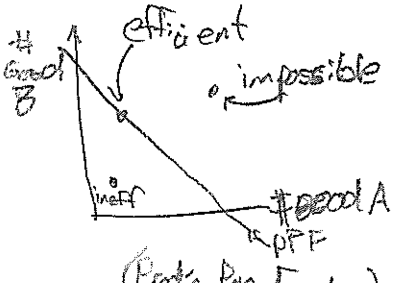
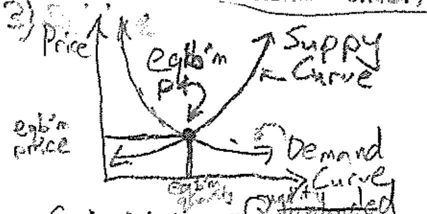
6, ~~8~~, ~~9~~, ~~10~~, ~~11~~, ~~12~~, ~~13~~, ~~14~~, 15

1)


opp cost: best forgone alt's value when a choice is made

2)


(Prod'n Pos. Frontier)

3)


- Substitution Effect: ↳ incr price ⇒ ppl looking for substitutes
- Income Effect: → incr (price/income) ⇒ ppl can't afford
- normal Good: +income ⇒ +demand
- inferior Good: +income ⇒ −demand

4) X Elasticity of Y: measures how strongly Y'ers react (respond) to changes in X.

Measured in $f(x,y) = \frac{\%\Delta Y}{\%\Delta X}$

$f(x,y)$ {
- $<1 \Rightarrow$ inelastic Y
- $>1 \Rightarrow$ elastic Y
- $==\infty$ perfectly elastic Y
- $==0$ unit elastic Y (1:1)

Long-Run Y ⟷ asymptotic Y values b/c of x-bg
Momentary Y ⟷ immediate Y " " " " "
Short-Run Y ⟷ "about soon" Y values " " " "

8) utility - duh

Marginal utility - the utility of consuming 1 more of a good.

Generally, we want to maximize $\frac{MU_x}{P_x}$ (marginal utility of x / Price of 1x)

& to pick an amount of $\frac{MU_A}{P_A} = \frac{MU_B}{P_B}$

Thus in budgets, we can have $P_x Q_x + P_y Q_y = Y$ (total cash)

Producer Surplus - Extra Producer gets b/w what they're willing to accept & what they get

Consumer Surplus - Δ b/w what consumers pay & the max they'd agree to pay

Bounded {
- Behaviour - heuristics used to m uncertainty
- Will-Power - Sub-opt willpower used to make d...
- Self-interest - what allows us to suppress helping others

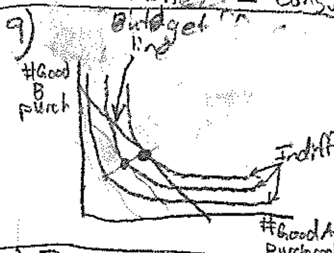
Endowment Effect - higher perceived value due to ownership

Easterlin Paradox - ↑ income & happiness are positively related but decreasing derivative

Snob Effect - consume b/c others don't

Bandwagon Effect - consume b/c others do

Veblen Effect - consumption b/c assoc. prestige.

9)


Perf-substitutes can be swapped at a constant rate i.e. 2:1
$U(x,y) = ax + by$
Substituting things

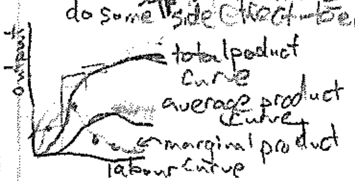
10) Econ Profit = Revenue (Σ TR) − Opp cost of Production

- Opp Cost of Production = Cost of Resources Bought + Opp cost of resources used
- Firms must choose (re: production) + Opp cost of labour supplied
  - What - Compensation - what to buy vs produce
  - How - Pricing, Volume
- Principle-Agent Problem - when actors don't do what they're motivated to act by their own interests, and are therefore not motivated.
- Sole Proprietorships - owned by one, w/ unltd. liability
- Partnerships - multi owners w/ unltd. liability
- Corporations - Firm w/ ≥1 owners who are only liable init. investment
- 4-firm concentration Ratio: % of industry sales by top-4 firms
- Herfindahl-Hirschman index (HHI) - market share = MS: $\frac{\sum MS_x^2}{\sum_{x \in top\text{-}50} MS_x}$
- Triple bottom-line: Profit, Planet, People

11) Plant = factors of production.

In the Short run, the plant is fixed, not so in the long run.

Sunk Cost Bias is the feeling that people get when they want to do something because they paid for it



Fixed vs Variable Costs
(overall cost for mfg) (Cost-per-item)

11) b. Marginal product of capital is the extra amount of prod. from more $

Econ of scale are areas where ~~ATS~~ avg cost decreasing long-run cost falls,

Dis-econ of scale are the opposite

14) Monop. Competition
- many firms
- low barrier to entry/exit
- products are differentiated
- compete on quality, price, marketing
- Firms are sensitive to the avg market price — collusion is impossible,

→ Cross-elacity of demand is large, but not as

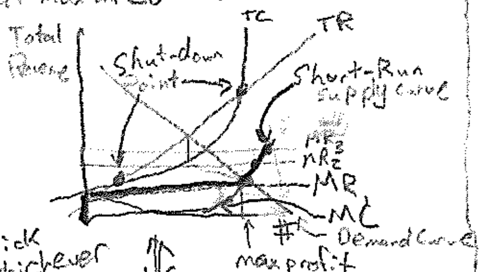
→ firms have slight econ loss in short run, but long-run econ profit = 0

→ it is not efficient, but product diversification can help it become efficient.

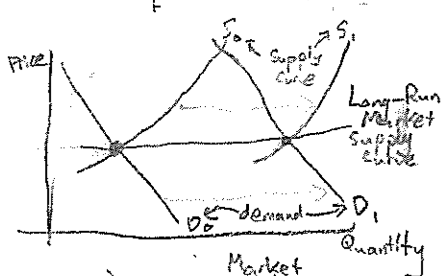
12) Perfect Competition occurs in industries w/ 1 many firms w/ identical prods.
2 no restrictions to entry
3 Est'd firms have no advantage
4 everybody is well informed

happens when:
- min efficient scale is small
- firms produce indent. products

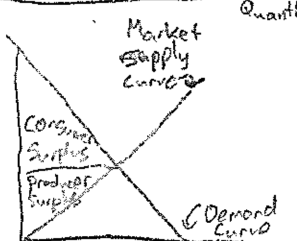
Firms decide to produce quantities that max rev − total costs



Pick whichever has max TR−TC or MC=MR



$\frac{dy}{dx}$: > 0 ext. diseconomies, < 0 ext. economies



15) Olig: Firms set prices b/c w/ strat. w/ their competitors.
- natural barriers
- small number of firms

firms are tempted to coop. (a cartel)

13) Monopolies are where:
- no close substitute exists
- high barrier to entry
  - natural (scale)
  - ownership of resources)
  - Legal (legislated monopoly)
- Single Price Monopoly is one that has only 1 price for a given good
- Price descrimination is variable pricing

→ To discriminate, monopolies must:
- identify & separate buyer types
- Sell a non-resellable product

- Monopolies are price setters,
  single price monopolies need ↓ price to sell more, total revenue is maximized when MR = 0,
  Profit is maxed when MR = MC
- Regulation occurs to infl economic activity
  ↳ Contra: Deregulation

price discrimination