

Revision lecture

Microeconomics

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Important

- Read everything
- Topics suggested today are only indicative of their importance from the learning from point of view
- Questions may involve explaining concepts and definition, and working with numerical problems and graphs

Topics you may focus on (Autumn)

- **Elasticity**
 - Price elasticity
 - Income elasticity
 - Definition, formula, calculation
- **Demand-Supply analysis**
 - Market equilibrium, consumer and producer surplus, tax, externality, price regulation
- Definition, formula, calculation, graph

Topics you may focus on (Autumn)

- **Indifference curve analysis**

- Budget line; income, substitution and price effect; Giffen good; Normal, inferior and luxury goods
- Calculation, graph and definition

- **Decision making under uncertainty**

- Risk aversion, risk pooling, insurance
- Calculation, graph and definition

Topics you may focus on (Autumn)

- **Theory of the Firm**
 - Profit maximization, MP and AP curves
 - Cost minimization, Short-run and long-run cost curves, AC and MC curves, Returns to scale
 - Calculation, definition and graph
- **Altruism, Winner's curse and Lemon problem**
 - Concepts and graphs



Topics you may focus on (Spring)

- **Perfect Competition**

- Assumptions about the market
- Market demand curve vs firm demand curve
- Produce or shut down? How much to produce
- Equilibrium ($\text{Price} = \text{MC}$)

- **Monopoly**

- One producer
- Sources of Monopoly
- Profit maximizing rule ($\text{MR} = \text{MC}$)
- Price discrimination



Topics you may focus on (Spring)

- **Imperfect Competition**

- Monopolistic competition (lots of variety, many brands)
- Spatial Competition (where to locate), Non-price competition and product differentiation

- **Duopoly/Oligopoly**

- Reaction Functions (thinking strategically)
- Bertrand Competition
- Cournot Competition
- Stackelberg Competition



Topics you may focus on (Spring)

- **Games -- thinking strategically**
 - Nash equilibrium
 - Dominant strategy
 - Iterated dominance
 - Prisoner's dilemma and public goods game
- **Labor Market**
 - How to decide how much labor to supply, Analysis based on indifference curve and budget constraint
 - Backward bending supply curve – income and substitution effects
 - Demand curve for labor (firm and industry); links between marginal physical product, marginal revenue product of labor



Topics you may focus on (Spring)

- **Market efficiency**
 - Pareto efficiency
 - Edgeworth box analysis
 - Efficiency in exchange economy
 - Efficiency in production and mix in economy
 - Welfare theorems
- **Source of Market Failure**
 - Externalities -- private vs market benefits and costs; negative and positive. Taxes, subsidies, command and control policies, market based solutions, property rights
 - Public Goods – non-rival, nonexclusive; free rider problem, tragedy of the commons, public goods game
 - Asymmetric Information – moral hazard (exante, expost) adverse selection, lemons problem.