Exam 3 Topics

Note: Exam 3 is accumulative. The following are topics covered after the 2nd exam.

Chapter 7: Costs
  • Types of Costs
    ◦ How to treat capital costs
    ◦ Short run cost measures
    ◦ Shapes of cost measures
  • Short run cost functions
  • Long run cost functions
    ◦ Cost minimization problem
      ▪ How to setup the Lagrangian and solve
      ▪ Comparative statics
    ◦ Share of long run cost curves
  • Compare long run costs to short run costs
  • Scale and scope

Chapter 8: Profit Maximization & Perfect Competition
  • Profit Maximization
    ◦ Market Demand
    ◦ Residual Demand
    ◦ Revenue from residual demand
    ◦ Profit function
    ◦ Choose quantity to maximize profits
  • Perfect Competition
    ◦ Residual demand and revenue
    ◦ Marginal revenue
    ◦ Firm decisions
      ▪ Short run
      ▪ Long run
    ◦ Firm supply curves
    ◦ Market supply curves
    ◦ Market equilibrium
      ▪ Dynamic equilibrium adjustment (entry & exit)

Chapter 9: Perfect Competition
  • Profits in the long run
  • Welfare
  • Government Policies
    ◦ Taxes
    ◦ Price ceilings
    ◦ Price floors
Chapter 11: Monopoly
  • Barriers to entry
    ◦ Sole ownership of key resource
    ◦ Exclusive rights
    ◦ Cost advantages
    ◦ Network externalities
  • Government responses
    ◦ Antitrust laws
    ◦ Regulation
    ◦ Public ownership
    ◦ Do nothing
  • Market equilibrium
    ◦ price, quantity
    ◦ profit, consumer surplus
    ◦ deadweight loss created by monopolist

Chapter 13: Game Theory
  • Elements of games
    ◦ Players
    ◦ Rules
      ▪ strategy sets
      ▪ decision timing
      ▪ information sets
    ◦ Payoffs
  • Types of games
    ◦ strategic form games
    ◦ extensive form games
  • Solution techniques
    ◦ best response functions
    ◦ look for dominant or dominated strategies
    ◦ method of iterated elimination
    ◦ backwards induction
  • Special games and their importance
    ◦ Prisoner's dilemma
    ◦ Battle of the sexes
  • Mixed strategies
Chapter 14: Oligopoly and Monopolistic Competition

- Cournot oligopoly model
  - Game structure
  - Profit maximization
  - Best response function
  - Equilibrium analysis

- Bertrand oligopoly model
  - Game structure
  - Profit maximiation
  - Best response function
  - Equilibrium Analysis

- Monopolistic Competition Model
  - time permitting

- Stackelburg duopoly model
  - time permitting