

Principles of Microeconomics Outline

1. First Principles
 - Scarcity
 - Opportunity Cost
 - Incentives
 - Marginal Decisions
2. Economic Models: Trade-offs and Trade
 - Production Possibilities Frontier
 - Opportunity Cost and Slope
 - Combining Production Frontiers
 - Principle of Comparative Advantage
 - Absolute and Comparative Advantage
 - Increasing Opportunity Cost
 - Gains from Trade
3. Supply and Demand
 - Laws of Supply and Demand
 - Factors affecting supply and demand (5 each)
 - Market Equilibrium
 - Effects of Shifting one curve
 - Effects of Shifting both curves
4. Consumer and Producer Surplus
 - Demand as marginal benefit
 - Supply as marginal cost
 - Consumer's, Producer's and Total Surpluses
 - Efficiency of Equilibrium in competitive markets
5. The Market Strikes Back
 - Price Controls: Ceilings and Floors
 - Quotas
 - Deadweight Loss

6. Elasticity

- Midpoint Method
- Price Elasticity of Demand
- Price Elasticity of Supply
- Income Elasticity: Normal and Inferior Goods
- Cross-price Elasticity: Substitutes and Complements

7. Taxes

- Excise and Sales Taxes
- Who Pays?
- Excess Burden (Deadweight Loss)
- Elasticity and Tax Incidence

8. International Trade

- Comparative Advantage and International Trade
- Supply and Demand in World Markets
- Gains from Trade
- Tariffs and Subsidies
- Import Quotas

9. Making Decisions

- Implicit and Explicit Costs
- Accounting and Economic Profit
- Marginal Decisions
- Marginal Decision Rule: $MB = MC$ at optimum
- Present Value

10. The Rational Consumer

- Utility as measure of consumer satisfaction
- Diminishing Marginal Utility
- Budget Constraint
- Relative Price as Opportunity Cost
- Cost and Benefits of Consuming a Good
- Optimal Consumption: $MU_A/p_A = MU_B/p_B$

11. Consumer Preference and Consumer Choice

- Indifference Curves
- Optimal Consumption (tangency)
- Slope of Indifference Curve
- Perfect Substitutes and Complements

12. Behind the Supply Curve: Inputs and Costs
 - Fixed and Variable Inputs, Fixed and Variable Costs
 - Production Function and Marginal Product
 - Relation of marginal and average
 - Production Function and Costs
 - Marginal and Average Costs
 - Minimum Costs when $MC = AC$
13. Perfect Competition and the Supply Curve
 - Price-taking firm
 - Price is Marginal Benefit
 - Marginal Decision Rule: $p = MC$
 - Shutdown condition ($p < AVC$)
 - Entry and exit (compare p and ATC)
 - Supply is MC curve
 - Zero profit in long run
 - Effects of changing conditions: short-run and long-run
14. Monopoly
 - Types of Monopoly: Natural, Unnatural, Resource, Temporary
 - Demand and Marginal Revenue
 - Maximum Profit: $MR = MC$, price according to demand
 - Deadweight Loss
 - Regulation of Monopoly (different from competition)
15. Oligopoly
 - Duopoly
 - Incentives for and against collusion
 - Game Theory
 - Dominant Strategies
 - Nash Equilibrium
 - Prisoner's Dilemma