

Study Guide: Intermediate Microeconomics

I. **Basic Concepts:** Make sure that you clearly understand the following concepts:

Market Structure, Perfect Competition, Consumers and Producers Surpluses, Dead Weight Loss, Pure Monopoly, Monopolistic competition, Oligopoly, Natural Monopoly, Economies of Scale, Average Cost Pricing, Marginal Cost Pricing, Monopoly Power, Lerner's Formula, and Nash Equilibrium.

II. **State True or False and explain why.**

1. A perfectly competitive market structure is **unreal** because it implies that in the **long-run** firms' cannot make **economic profit** and hence never fully cover their investment outlays (expenditures).
2. Since a pure monopoly is a **price-maker** rather than a **price-taker**, it will always make an **economic profit**.
3. The basic economic message of the **Game Theory's Approach** to oligopolistic pricing and/or output decision is that oligopolist recognize their **mutual interdependence** and agree to act in unison.
5. In the long-run, both perfectly competitive and monopolistic firms earn **zero economic profit**. Therefore, firms in these two types of market structures are equally **efficient**.
6. The **kinked demand model** explains why in an oligopolistic market structure prices tend to be **rigid**.
7. A monopolist will never produce in the inelastic portion of the demand curve for its product.
8. In the long-run, under no circumstances will a firm with a monopoly power out perform (in terms of efficiency) firms under a perfectly competitive market structure.
9. In an oligopolistic industry, the general tendency is to expend too many resources for product promotion (advertisement).
10. Price-ceiling will **always** increase the dead weight loss of a society.

- III. **Problem Related Questions:** Make sure you go over the home works and class assignments that you have done since the second mid-term. You may see problems of similar nature on your final.
- IV. The final examination will also includes **basic** microeconomic concepts covered before the second mid-term exam--the theory of the consumer demand and the theory of the firm. In particular expect to be tested on the following concepts:
- Exogenous and endogenous factors affecting the demand and supply for both output and input (labor).
 - Elasticity of demand and supply and their various applications
 - The equi-marginal conditions (rules) for: utility maximization, cost minimization, profit maximization, hire or fire workers, work or play, etc.
 - The difference between short-run and long-run as related to the production and cost functions of the firm.
 - The rule for deciding whether to either stay in business or file bankruptcy in the short-run.
 - The relationship between economics of scale and firm's long-run cost function.
 - The graphic relationship between the average and marginal products.
 - The graphic relationship among the short-run average variable, average total, and marginal cost.
 - The Cobb-Douglas type-production function and their properties.
 - General applications of demand and supply and market equilibrium (see Chapter 2).