

## Microeconomics Concepts

### Basic concepts of microeconomics

- Economic scarcity and the price mechanism
- How supply and demand works in a market economy

### Consumer theory

- Demand curves (shape, slope, and “shifters”)
- Elasticity of demand (own-price, income, and cross-price elasticities)
- Substitutes and complements
- “Normal” goods
- Consumer surplus; marginal benefit of consumption (marginal utility)

### Production theory

- Marginal, fixed, and variable costs
- Production functions; Diminishing marginal productivity
- Increasing, decreasing, and constant returns to scale

### Entry and exit of firms

- Economic vs. accounting profit
- Long run vs. short-run equilibrium

### Perfect competition

- Price = marginal cost
- Supply curve (shape, slope, and “shifters”)
- Elasticity of supply
- Producer surplus

### Imperfect competition

- Monopoly and Oligopoly
- Marginal revenue = marginal cost < price
- Impact on consumers and economic welfare

### Labor markets

- Marginal revenue product (value of marginal product)
- Labor demand and labor supply; equilibrium wages

### Production possibility frontiers

- Opportunity costs
- Relative prices

### Government interventions

- Impact of taxes and subsidies
- Deadweight losses
- Impact of price intervention (price floors and price ceilings)

### Externalities, public goods, and market failures

- Negative and positive externalities: policy responses
- Public goods and “tragedy of the commons”