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