Chapter 10

This chapter provides an introduction to perfectly competitive markets.

1. Know the assumptions needed for perfect competition.
2. Know how to calculate the firm’s profit-maximizing quantity in the short-run. Also know how to calculate the firm’s profit.
3. Be able to determine whether the firm should continue to produce in the short-run or should shutdown.
4. Know the conditions necessary for long-run equilibrium in a perfectly competitive market. Know how to determine the firm’s profit-maximizing quantity, as well as the market price, if a perfectly competitive market is to be in long-run equilibrium.

Chapter 11

This chapter examines performance in competitive markets when there is some impediment to achieving the perfectly competitive outcome.

1. Know the definitions of consumer surplus, producer surplus, and deadweight loss. Be able to calculate them for linear demand functions.
2. Know how to set up a supply and demand problem if a per-unit tax is imposed in a market. Be able to calculate equilibrium price and quantity in the market with the tax.
3. Be able to calculate the price the seller receives and the price the buyer pays in a market with a tax, and know how to calculate the burden of the tax borne by the supplier and consumer.
4. Know the difference between a price floor and price ceiling. Know how to calculate the price and quantity in markets with price controls.

Chapter 12

This chapter provides the basic structure of the monopolist’s problem.

1. Know how to find the monopolist’s profit-maximizing price and quantity, and its profit at that price and quantity.
2. Understand how monopolies create deadweight loss in a market and cause a decrease in social welfare.
3. Understand the different policies that a government might use to regulate a monopolist.
Chapter 13
This chapter examines monopolistic competition and oligopoly models.

1. Understand the assumptions underlying the monopolistic competition model. Know the difference between short-run and long-run equilibrium in these models.
2. Know how to find the profit-maximizing quantity for each firm in a Cournot (quantity choice) model of oligopoly. Also know how to calculate the market price and each firm’s profit.
3. Know how to reason through a pricing game that does not have a continuous demand function.

Chapter 14
This chapter provides an introduction to game theory.

1. Understand how the concept of a best response. Know how to find Nash equilibria in a matrix game.
2. Know how to find a Nash equilibrium using backward induction in a sequential game.
3. Understand how price matching policies may lead to anti-competitive outcomes.
4. Understand the differences in auction types and why bidders would bid differently depending upon the type of auction.

Chapter 15
This chapter examines various pricing rules of thumb and pricing practices that may be used.

1. Know how to calculate the optimal markup on price and cost.
2. Know the different types of price discrimination, and the requirements for price discrimination to be a viable pricing practice. Be able to determine the profit-maximizing price and quantity if a firm decides to price discriminate.
3. Understand what the goal of the firm is when it uses two-part pricing. Know how to calculate the firm’s optimal lump sum fee and per-unit price for separate groups of consumers, as well as being able to calculate the fee and per-unit price if the firm must charge the same fee and per-unit price to all consumers.
4. Understand how the firm prices products in multiple product markets. Be able to determine the firm’s profit-maximizing quantity and price for each good when production occurs in fixed proportions. Understand what the condition is for restricting supply of one of the goods.