

Econ 73-250A-F
Spring 2001
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TOPICS COVERED IN MIDTERM EXAMINATION #2

Please notice: In general, you are required to know the material that has been covered in class for the midterm exam of April 9. Sometimes the textbook has more than what I have said in class on a given topic, sometimes it is the other way around. In both cases, I will test you on what we have seen in class. The following is an (almost) exhaustive list of topics covered in class with reference to the relative textbook chapter.

Market Demand (Chapter 15)

- Aggregating individual demand functions to obtain aggregate demand functions;
- Price elasticity of demand;
- Income elasticity of demand;
- The Laffer curve.

Equilibrium (Chapter 16)

- Supply and producer's surplus;
- Competitive markets;
- Determining the equilibrium price and quantity;
- Taxes and their effect on equilibrium prices and quantity;
- Passing along taxes;
- Deadweight loss of a tax;
- Pareto efficiency;
- Price controls: maximum and minimum prices and price targeting using public demand.

Technology (Chapter 18)

- Production function;
- Isoquants;
- Examples of technologies: fixed proportions, perfect substitutes, Cobb-Douglas;
- Input flexibility: marginal products and technical rate of substitution;
- Returns to scale.

Profit Maximization (Chapter 19)

- Objective of the firm;
- Defining economic profits;
- Fixed and variable factors;
- Profit maximization in the short and in the long run;
- Factor demand curves;
- Buying versus renting capital;
- User cost of capital;
- Profits and constant returns to scale technology;
- Meaning of zero profits.

Cost Minimization (Chapter 20)

- Cost function;
- Isocost lines;
- Minimizing costs in the short and in the long run;
- Cost functions and returns to scale.

Cost Curves (Chapter 21)

- Average cost curves;
- Marginal cost curves;
- Long and short run cost curves.