

Econ 4102: Exam 2 Review

Lawrence De Geest

Topics

Lecture 7

1. What is competition?
2. What is perfect competition?
3. What are the necessary and sufficient conditions for perfect competition?
4. What determines whether a firm makes economic profit?
5. What determines entry and exit?
6. How does the firm choose a level of production?
7. What is the demand curve facing a firm in perfect competition?
8. What is the shutdown point?
9. What is the firm's supply curve?
10. Why is there no entry in the short run?
11. What is long run equilibrium?
12. What is productive and allocative efficiency?
13. Why does perfect competition satisfy both efficiency conditions?
14. Should you advertise if you are a perfectly competitive firm?

Lecture 8

1. Where do monopolies come from?
2. What is the difference between a natural and a legal monopoly?
3. Why are natural monopolies often more efficient than perfect competition? What is predatory pricing?
4. How does a monopolist choose output?

5. How does a monopolist choose price?
6. What is the maximum price a monopolist can choose?
7. What is the demand curve faced by a monopolist?
8. Is monopoly efficient - why or why not?
9. Does intellectual property promote or discourage innovation?
10. What is path dependence?

Lecture 9

1. What is the difference between monopolistic competition and oligopoly?
2. What is the point of advertising and why does it matter in monopolistic competition?
3. What is demand faced by a monopolistic competitor?
4. How does a monopolistic competitor choose output and price?
5. Is there entry and exit in monopolistic competition?
6. What is long run equilibrium in monopolistic competition?
7. Does monopolistic competition satisfy the two efficiency conditions?
8. What are the tradeoffs to perfect competition and monopolistic competition?
9. Why do we call oligopolists “cats in a bag”?
10. How can oligopolists cooperate?
11. Why would they? What makes sustaining cooperation difficult?
12. What is game theory?
13. What is a Nash equilibrium?
14. What is the Nash equilibrium in the oligopolist game?
15. What are the tradeoffs to imperfect competition?

Lecture 10

1. What is “market failure”?
2. What are externalities?
3. What is the difference between a positive and a negative externality?
4. What are public goods and why do they tend to be under-provided by private markets?
5. Why do governments often “internalize externalities”?
6. Is the optimal level of pollution zero?

7. What is free-riding?
8. What is one way to correct for market failure in the market for vaccines?

Lecture 11

1. What is information asymmetry?
2. What is adverse selection?
3. What is moral hazard?
4. What is insurance?
5. Explain how to set up an insurance market.
6. How can you solve adverse selection?
7. How can you solve moral hazard?
8. How do you “signal” your quality on the labor market? Which signals are more or less credible?