**MICROECONOMICS**

**A Lecture Outline and its Detail Coverage**

Books:

Book 1 (B1):

Besanko, David A., Braeutigam, Ronald R., Rockett Katharine, Microeconomics, Wiley, Fifth Edition, 2015

Book 2 (B2):

Salvatore Ph.D., Dominick, Mikroekonomi, Schaum’s Outlines, Edisi keempat, 2006 (Terjemahan dalam bahasa Indonesia dari Schaum’s Outlines: Microeconomics, Fourth Edition, 2006)

Book 3 (B3):

Pyndick, Robert S., Rubinfeld, Daniel L., Microeconomics, Pearson, Eight Edition, 2013 Lecture reading material

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| NUM-  BER | TOPICS | BOOKS | LECTURE WEEK |
| A.  1.  2.  3.  4. | DEMAND, SUPPLY, MARKET  Individual demand – function and curve, Market demand, The Law of demand – Move along a demand curve, Shift in demand  Individual supply – function and curve, Market supply, The Law of supply – Move along a supply curve, Shift in supply  Market and a unique market equilibrium – The Invisible hand mechanism, Comparative static market equilibrium  Why demand and supply, then markets and an economy, exist or are created in every economy | Book 1: Ch. 2  Book 2: Bab 2  Book 3:  Ch. 2 | 1 |
| B.  1.  2.  3.    4.  5.  6.  7.  8.  9.  10. | ELASTICITY  Definition and a general formula of elasticity  Signs of demand elasticity (negative – due to the law of demand) and supply elasticity (positive – due to the law of supply)  Types of elasticity (for elasticity of demand is −, for elasticity o supply +): inelastic (< 1), unitary elastic (= 1) and elastic (> 1), unlimited (∞)  Types of demand and supply curves based on elasticity: inelastic and elastic  The price elasticity of demand – point, arc, geometrical formula  The income elasticity of demand – necessary, luxury, inferior, The Giffen paradox  The cross-price elasticity of demand- substitutes, complements  The price elasticity of supply – point, arc, geometrical formula  The price elasticity of demand or supply in the long run vs. in the short run | Book 1: Ch. 2  Book 2: Bab. 3  Book 3:  Ch. 2 & 8 | 2 - 3 |
| C.  1.  2.  3.  4.  5. | DEMAND THEORY OR CONSUMER THEORY  Consumer preferences and the concept of utility: utility, an indifference curve and the Marginal rate of substitution (MRS), 3 types of indifference curves, a map of indifference curves  Consumer budget or income  Consumer choice and the demand function: maximizing utility subject to income (diagram and the mathematical form)  The derivation of a demand curve – proving the law of demand  Income and substitution effects due to a price change | Book 1: Ch. 3,4,5  Book 2: Bab. 4, 5  Book 3:  Ch. 3-5 | 4 |
| D.  1.  2.  3.  4.  5.  6. | PRODUCTION  Production function as a function of four wheels  Production function with one variable: Total product (TP), Average Product (AP), Marginal Product (MP) and the law of diminishing returns or MP, and their characteristics  Production function with more than one variable (two variables): isoquant and Marginal rate of technical substitution (MRTS), 3 types of isoquant, isocost  Producer choice of inputs: minimizing cost subject to the level of production (an isoquant) to acquire (the diagram and the mathematical form)  Returns to scale  Elasticity of substitution | Book 1: Ch. 6, 7  Book 2: Bab. 6  Book 3:  Ch.6 | 5 - 6 |
| E.  1.  2.  3.  4.  5. | REVENUE AND COSTS  Revenue : Total Revenue (TR), Average Revenue (AR), Marginal Revenue (MR), and their functions  A Formula of Marginal Revenue in terms of Price (P) and the price elasticity of demand (ε)  The cost structure of any firms -- costs as functions of quantity: in total -- Total cost (TC), Total fixed cost (TFC), Total variable cost (TVC); in per unit -- Average TC (ATC), Average FC (AFC), Average VC (AVC), Marginal cost (MC)  Costs as a function of inputs and input prices, and isocost  A requirement for maximizing profit – MR = MC, and its duality | Book 1: Ch. 7, 8  Book 2: Bab. 7  Book 3:  Ch. 7 | 7 |
| MID TERM EXAM | | | 8 |
| F.  1.  2.  3.  4.  5. | MARKET STRUCTURE: PERFECT COMPETITION  Definition and types of market structure (perfect competition, Monopoly, Monopolistic competition, Oligopoly)  Characteristics of Perfect (pure) competition – every competitive firm as a price taker  The demand and MR curves facing any competitive firms: horizontal at the market price -- (D = P = AR) = MR  The competitive firm choice: maximizing profit resulting in the amount of quantity to be sold (the diagram and the mathematical form)  The derivation of the supply curve of the competitive firm – proving the law of supply | Book 1: Ch. 9, 10  Book 2: Bab. 8  Book 3:  Ch.8 | 7 - 9 |
| G.  1.  2.  3.  4.  5.  6.  7.  8. | MARKET STRUCTURE: MONOPOLY AND MONOPOLISTIC COMPETITION  Characteristics of Monopoly and Monopolistic competition – each firm as a price maker  The sources of monopoly  The demand and MR curve facing each monopoly or monopolistic firm: negative slope -- (D = P = AR) ≥ MR  Maximizing profit at MR = MC -- and (the diagram and mathematical form)  The emergence of anti trust or anti monopoly: Monopolists does not operate at MR =MC, but at P = AC or P < AC (loss)  Monopoly with multiple plants and markets  Measurement of the market power (Lerner index, Herfindahl index)  The welfare economics of monopoly | Book 1: Ch. 11, 13  Book 2: Bab. 9, 10  Book 3:  Ch. 8-12 | 10 - 11 |
| H.  1.  2.  3.  4. | MARKET STRUCTURE: OLIGOPOLY  Characteristics of oligopoly as price makers, interdependency among oligopolists  Oligopoly with homogeneous products: the Cournot model, the Bertrand model, the Stackelberg model  Dominant firm markets  Oligopoly with horizontally differentiated products: the Bertrand model | Book 1: Ch. 13  Book 2: Bab. 10  Book 3:  Ch. 12-13 | 11 - 12 |
| I.  1.  2.  3.  4.  5.  6.  7. | GAME THEORY  Strategy, pay off  The Nash equilibrium  The Prisoners’ dilemma, the repeated Prisoners’ dilemma  Dominant and dominated strategies  Sequential-move games and strategic moves – Game tree  Games with more than one Nash equilibrium  Games with a pure strategy and a mixed strategy | Book 1: Ch. 14  Book 2: Bab. 11-12  Book 3:  Ch.13 | 13 - 14 |
| J.  1.  2.  3. | OTHER PRICING MODELS  Peak-load pricing  Cost-plus pricing  Price discrimination | Book 1: Ch. 12  Book 2: Bab.11  Book 3:  Ch.10-12 | 15 |
| FINAL EXAM | | | 16 |