**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, MARKETIndividual demand – function and curve, Market demand, The Law of demand – Move along a demand curve, Shift in demandIndividual supply – function and curve, Market supply, The Law of supply – Move along a supply curve, Shift in supplyMarket 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 2Book 3:Ch. 2 | 1 |
| B.1.2.3. 4.5.6.7.8.9.10. | ELASTICITYDefinition and a general formula of elasticitySigns 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 elasticThe 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, complementsThe price elasticity of supply – point, arc, geometrical formulaThe price elasticity of demand or supply in the long run vs. in the short run  | Book 1: Ch. 2Book 2: Bab. 3Book 3:Ch. 2 & 8 | 2 - 3 |
| C.1.2.3.4.5. | DEMAND THEORY OR CONSUMER THEORYConsumer 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 curvesConsumer budget or incomeConsumer 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 demandIncome and substitution effects due to a price change |  Book 1: Ch. 3,4,5Book 2: Bab. 4, 5Book 3:Ch. 3-5 | 4 |
| D.1.2.3.4.5.6. | PRODUCTIONProduction function as a function of four wheelsProduction function with one variable: Total product (TP), Average Product (AP), Marginal Product (MP) and the law of diminishing returns or MP, and their characteristicsProduction function with more than one variable (two variables): isoquant and Marginal rate of technical substitution (MRTS), 3 types of isoquant, isocostProducer choice of inputs: minimizing cost subject to the level of production (an isoquant) to acquire (the diagram and the mathematical form)Returns to scaleElasticity of substitution | Book 1: Ch. 6, 7Book 2: Bab. 6Book 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 functionsA 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 isocostA requirement for maximizing profit – MR = MC, and its duality  | Book 1: Ch. 7, 8Book 2: Bab. 7Book 3: Ch. 7 | 7 |
| MID TERM EXAM | 8 |
| F.1.2.3.4.5. | MARKET STRUCTURE: PERFECT COMPETITIONDefinition and types of market structure (perfect competition, Monopoly, Monopolistic competition, Oligopoly) Characteristics of Perfect (pure) competition – every competitive firm as a price takerThe demand and MR curves facing any competitive firms: horizontal at the market price -- (D = P = AR) = MRThe 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, 10Book 2: Bab. 8Book 3:Ch.8 | 7 - 9 |
| G.1.2.3.4.5.6.7.8. | MARKET STRUCTURE: MONOPOLY AND MONOPOLISTIC COMPETITIONCharacteristics of Monopoly and Monopolistic competition – each firm as a price makerThe sources of monopolyThe 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 marketsMeasurement of the market power (Lerner index, Herfindahl index)The welfare economics of monopoly | Book 1: Ch. 11, 13Book 2: Bab. 9, 10Book 3:Ch. 8-12 | 10 - 11 |
| H.1.2.3.4. | MARKET STRUCTURE: OLIGOPOLYCharacteristics of oligopoly as price makers, interdependency among oligopolistsOligopoly with homogeneous products: the Cournot model, the Bertrand model, the Stackelberg model Dominant firm marketsOligopoly with horizontally differentiated products: the Bertrand model | Book 1: Ch. 13Book 2: Bab. 10Book 3:Ch. 12-13 | 11 - 12 |
| I.1.2.3.4.5.6.7. | GAME THEORYStrategy, pay offThe Nash equilibrium The Prisoners’ dilemma, the repeated Prisoners’ dilemmaDominant and dominated strategiesSequential-move games and strategic moves – Game treeGames with more than one Nash equilibrium Games with a pure strategy and a mixed strategy | Book 1: Ch. 14Book 2: Bab. 11-12Book 3:Ch.13 | 13 - 14 |
| J.1.2.3.  | OTHER PRICING MODELSPeak-load pricingCost-plus pricingPrice discrimination | Book 1: Ch. 12Book 2: Bab.11Book 3:Ch.10-12  | 15 |
| FINAL EXAM  | 16 |