

## **Managerial Economics Course Coverage**

### **Perfectly Competitive Markets**

- 1) Supply & Demand
  - a. Know how to categorize costs of a firm (fixed, variable, marginal, sunk, etc.)
  - b. Know how to interpret supply and demand curves and equilibrium outcomes
  - c. Be able to construct short-run and long-run supply curves from the cost data of an industry
  - d. Understand long-run entry and exit decisions for a competitive industry
  - e. Understand how uncertainty about market fundamentals influences entry and exit decisions
- 2) Market Interventions
  - a. Understand the arguments for market intervention (externalities, redistribution, etc.)
  - b. Be able to analyze the effects of the primary tools of intervention (taxes, subsidies, quotas, price controls) using equilibrium analysis
- 3) Welfare
  - a. Be able to analyze welfare gains from market interactions
  - b. Be able to analyze welfare losses and gains caused by market interventions

### **Pricing**

- 1) Profit Maximization of a Dominant Firm
  - a. Understand the pricing trade-offs facing a monopolist
  - b. Understand the welfare loss caused by a monopolist
  - c. Be able to construct marginal revenue from demand information
  - d. Understand and interpret the inframarginal effect: the difference between price and marginal revenue
  - e. Understand the profit maximization rule:  $MR(Q)=MC(Q)$
  - f. Be able to analyze the value of information as it relates to cost or demand uncertainty
- 2) Price Customization
  - a. Understand why the potential for increased profits from market segmentation relies on the relative elasticities of those segments
  - b. Understand the potential problems with variable pricing
  - c. Know how to create incentives for customers to buy in their intended market segments

### **Oligopolies**

- 1) The Cournot Model
  - a. Be able to construct and interpret reaction functions
  - b. Understand Nash equilibrium and how it applies to concentrated markets
  - c. Be able to analyze the effects of changes in market fundamentals (marginal cost, demand, etc.) on equilibrium outcomes
- 2) The Bertrand Model
  - a. Understand the qualitative difference between strategic substitutes (Cournot) and strategic complements (Bertrand)
  - b. Understand the roles of vertical and horizontal differentiation in determining equilibria
- 3) Repeated interactions
  - a. Have a basic understanding of the grim-trigger strategy