

Study Guide for the midterm exam:

1. Read notes parts 1&2 (excluding: section 5.1 of part 1, and, the 5th part of notes part 2, and the *-marked sections).

2. Concentrate on the main concepts:

- Utility functions, different types of Utility functions, monotone transformations
- MRS: meaning and properties, computation
- Marshallian demand (i.e. Utility max s.t. BC)
- Hicksian Demand, Indirect Utility function
- Comparative statics w.r.t to M and prices
- IE and SE in the graph and *steps* of computation (note the relevance of inferior vs. normal goods for the problem)
- Labor supply decision (without non labor income), comparative statics
- Taxes on Labor supply and Efficiency
- Technology, MRTS and returns to scale
- Cost minimization and Cost functions for long run and short run
- Properties of the Cost functions (relationship between SRTC and LRTC, and between ATC and MC).
- Profit maximization and Supply in the LR and SR

3. Be sure to understand the required mathematical tools:

- Partial derivatives
- Constrained Optimization (ie Lagrangian and FOCs)
- Know how to distinguish between variable and parameter

4. In addition to the notes, you may read the relevant parts of your textbook (ask me if you have questions about that) or refer back to your 1101 book if you want to get more intuitive explanations of the material.

5. Most importantly, do the HW questions again and solve the practice exam.

6. The questions will roughly consist of 30% explanations/def's and 70% computation.