

BUSN 7206 Microeconomics

Week 4

Merrill Lynch pages 16-17

- 1 Explain fully the concept of economic choice, marginal analysis, sunk costs, and opportunity costs. Discuss in detail the significance of these concepts at Merrill Lynch and their ability to get employees to behave honestly.
- 2 Discuss fully all aspects of the Coase Theorem including externalities and the relevance of the Coase Theorem to understanding the situation that occurred at Merrill Lynch. Discuss the role market incentives in the decision making process at Merrill Lynch.
- 3 Many economists favor free trade between nations. They argue that free trade will increase total world output and make people of trading nations better off. Discuss fully how this argument relates to Merrill Lynch and the concepts discussed in Chapter 3.
- 4 Explain the difference between a demand function and demand curve. If the demand for a product is inelastic, discuss in detail what will happen to total revenue if price is increased. Explain fully the difference between normal and inferior goods Explain how the cross elasticities can be used to define the relevant firms in an industry.
- 5 Explain fully how each of the following affects the position of the demand curve for DVD players. Discuss and explain in detail related concepts.
  - a) An increase in the price of dvds
  - b) A decrease in the price of dvd players
  - c) An increase in the per capita income of our target market
  - d) A decrease in the price of movie tickets
- 6 Provide a detailed report for Video Lectures 6 & 7