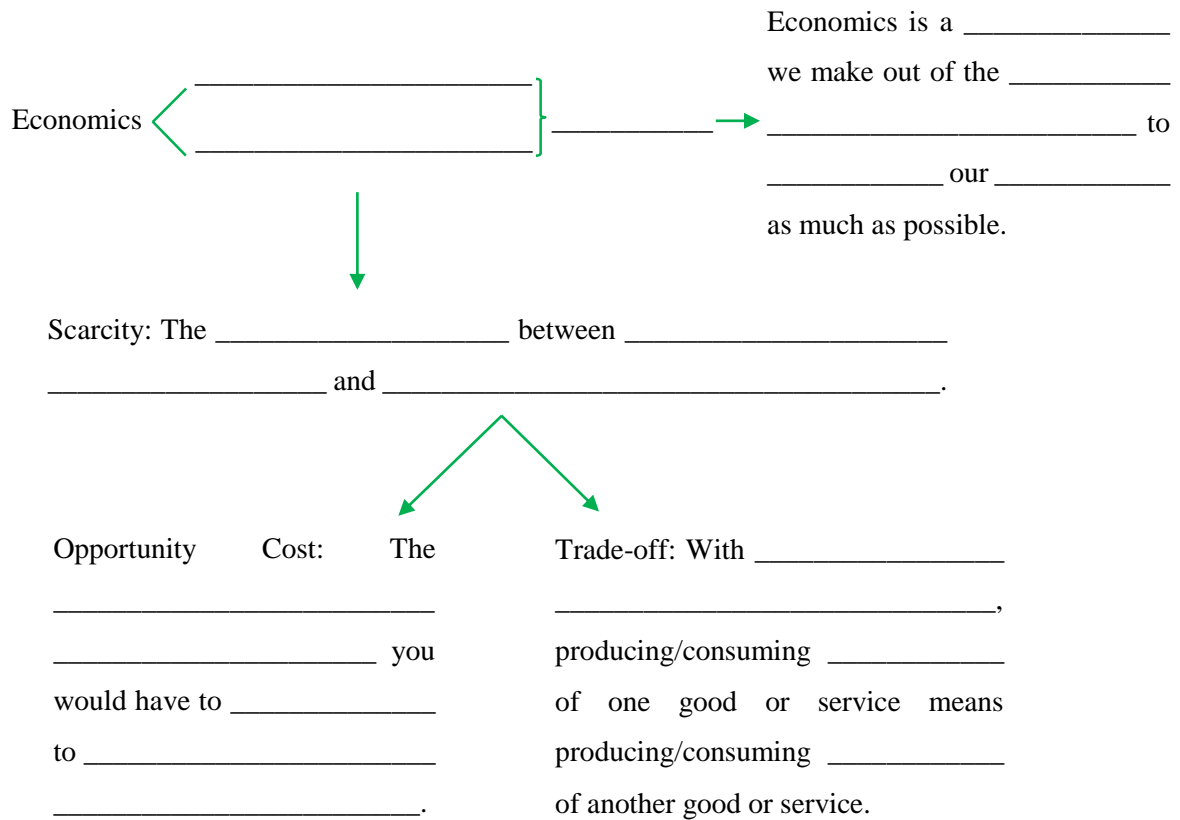**Intermediate Microeconomics (Fall 2023)**
Lecture 1
Review of Basic Economics

Part I

Economics, Scarcity, Opportunity Cost, Trade-off

Economics is a _____
we make out of the _____
_____ to
_____ our _____
as much as possible.

Economics < _____
_____ _____→

Scarcity: The _____ between _____
_____ and _____.

Opportunity   Cost: The
_____
_____ you
would have to _____
to _____
_____.

Trade-off: With _____
_____,
producing/consuming _____
of one good or service means
producing/consuming _____
of another good or service.

Part II

Nominal Variable vs. Real Variable 2

	Nominal Variable	**Real Variable**
Definition I	Variables measured _____ _____ for the _____ in the _____ of a _____; _____ for _____.	Variables _____ for the _____ in the _____ of a _____; _____ for _____.
Definition II	Variables measured in _____ units.	Variables measured in _____ units.

Part III

Demand

- **Quantity Demanded (Q^D)** – The _____ that _____ are willing and able to _____ at a certain _____, given all other influences on their decision to buy.

- **Demand (D)** – A _____ between the _____ of an item and the _____.

- **The Law of Demand** – Holding everything else constant (ceteris paribus condition*), when the _____ of a product _____, the _____ of the product will _____; when the _____ of a product _____, the _____ of the product will _____.
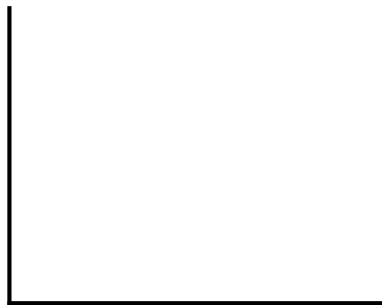
∗   Ceteris Paribus Condition – The requirement that when analyzing the relationship between two variables, such as price and quantity demanded, other variables must be held constant.

Math Review

Function

❖ In mathematics

To graph it, we put the independent variable on the _____ axis
and the dependent variable on the _____ axis:

❖ In economics

To graph it, the crucial difference between economics and mathematics is that we put
the independent variable on the _____ axis and the
dependent variable on the _____ axis:

- The law of demand reveals that the demand curve is _____.

P

Q

- **Change in Quantity Demanded vs. Change in Demand**

  o Change in quantity demanded → _____ the line:
    Either _____ or _____ caused by
    _____ in _____
    (_____ on the _____).

  o Change in demand → _____ the _____ line:
    Either _____ or _____ caused by _____
    in _____
    on the _____, such as _____,
    _____, _____ of
    _____, etc.

    ➤ Rule of Thumb

      ❖ _____

      ❖ _____

- **Demand Function**

  where

  o   Linear Demand Function

    where _____ is the _____.

    ▪

    ▪

    ▪

    ▪

Math Review

  Plot a Function

- **Inverse Demand Function**

  o Demand function: _____

  o Inverse demand function: _____

Suppose a, b are positive numbers.

P

Q

Part IV

  Supply

- **Quantity Supplied (Q^S)** – The _____ of a good or service that a _____ is willing and able to _____ at a given _____, ceteris paribus.

- **Supply (S)** – A _____ between the _____ of an item and the _____.

- **Law of Supply** – Holding everything else constant (ceteris paribus condition), an _____ in the _____ of an item will _____ its _____; and a _____ in the _____ of an item will _____ its _____.

- The law of supply reveals that the supply curve is _____.

P

Q

- **Change in Quantity Supplied vs. Change in Supply**

  o Change in quantity supplied → Movement along the line:

  Either up or down caused by changes in own-price (labeled on the vertical axis).

  o Change in supply → Shift the entire line:

  Either left or right caused by changes in variables not labeled on the axes, such as

  _____ in _____

  (e.g., _____ and _____),

  _____,

  _____, _____,

  _____ of _____, etc.

    ➢ Rule of Thumb

      ❖ _____

      ❖ _____

- **Supply Function**

  where

o   Linear Supply Function

where _____ is the _____.

-

-

-

-

-

-

- **Inverse Supply Function**

o   Supply function: _____

o   Inverse supply function: _____

Suppose a, b are positive numbers.