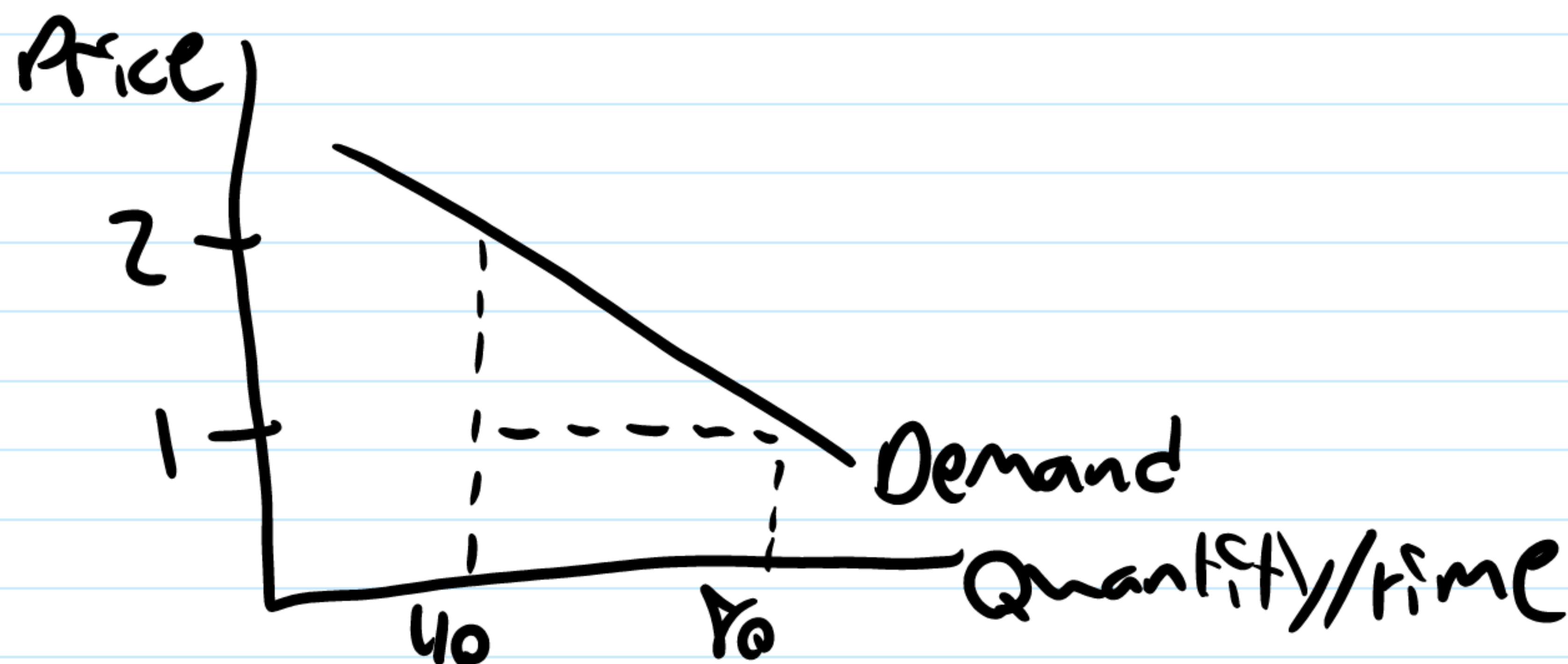


Microeconomic foundations!

Demand closely related to willingness to pay (WTP)
 'law of demand'



Slope of demand is $\frac{\Delta Q}{\Delta P} = \frac{+40}{-1} = -40$

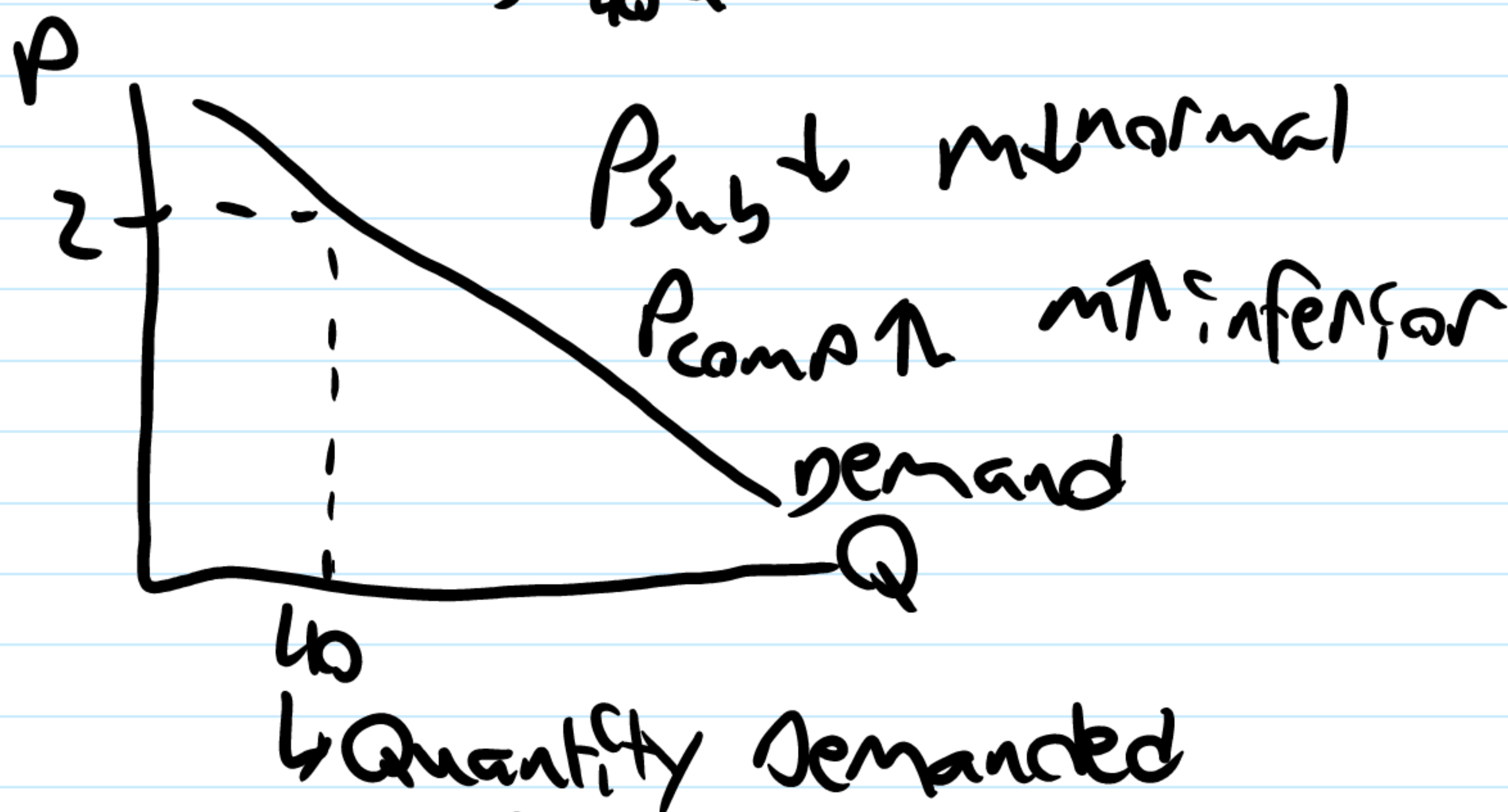
$Q = f(\text{Price}) \rightarrow \text{Demand curve}$
 $P = f(\text{Quantity}) \rightarrow \text{inverse demand curve}$

$$\frac{\Delta Q}{\Delta P} = \frac{Q_2 - Q_1}{P_2 - P_1} = \frac{80 - 40}{1 - 2} = \frac{40}{-1}$$

$$\frac{\Delta Q}{\Delta P} = -40 \rightarrow \Delta Q = -40 \Delta P$$

$$(Q - 40) = -40(P - 2)$$

$$Q = 120 - 40P$$



$$Q = f(P, P_{\text{sub}}, P_{\text{comp}}, m)$$

↳ normal, inferior