

UN1105 Principles of Economics

Recitation 1

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Columbia University

Fall 2020

Outline

- Introduction
- Review of Concepts
- Q1: K&W Problem 3.1
- Q2: K&W Problem 3.8
- Q3: Short-answer Questions

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Introduction (i)

- Introductions.
- Comment on the course, general tips.
- Foundational concepts
 - (i) Economics: scarcity and incentives.
 - (ii) Opportunity costs.
 - (iii) Comment on efficiency, v. other considerations.
 - (iv) Comment on models in economics. [▶▶ Map](#)

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Review of Concepts (i)

2. Demand and Supply Model

(i) What type of market are we focusing on?

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(ii) Demand-side

- Distinguish between movements along, and shifts of, the curve.
- What factors shift the demand curve?
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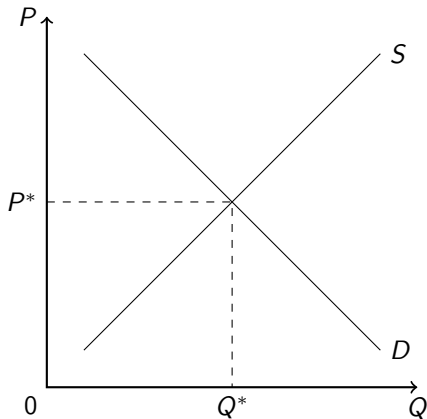
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- (iii) Supply-side
 - Distinguish between movements along, and shifts of, the curve.
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- (iv) Equilibrium
 - Why does a competitive market move towards this point.
 - Comparative statics following an increase in demand/supply.

Review of Concepts (iii)

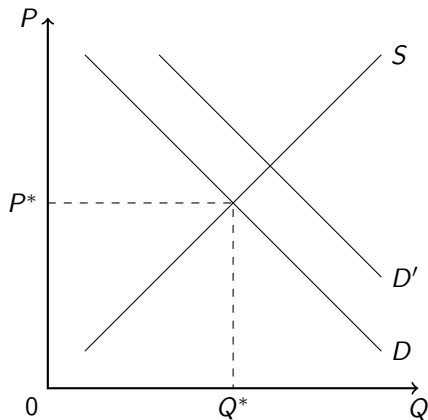
(a) Increase in Demand



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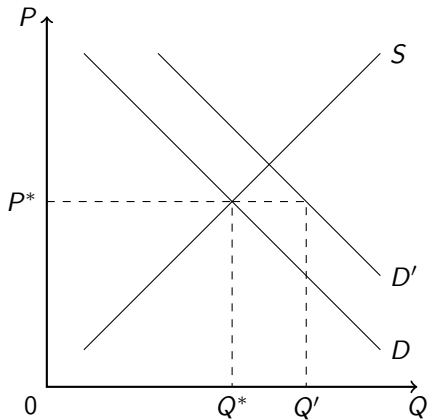
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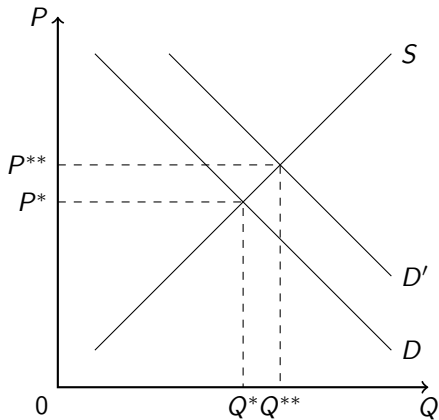
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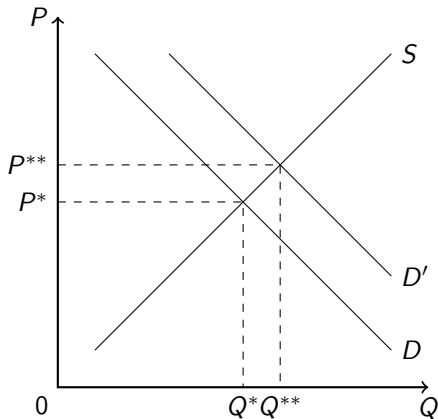
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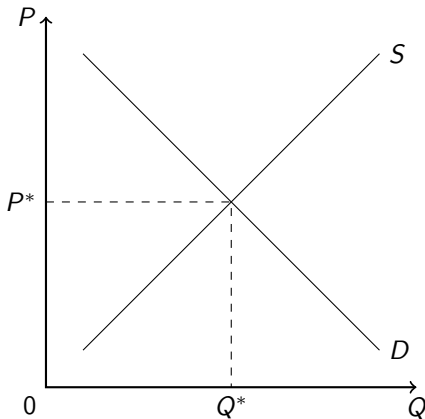
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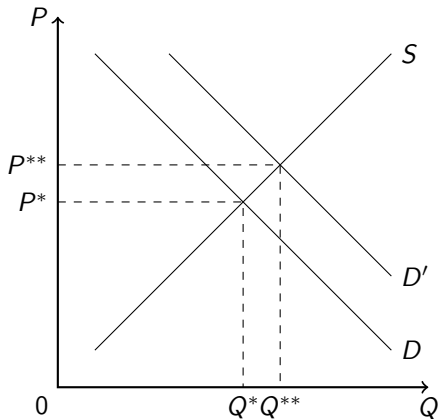


(b) Increase in supply

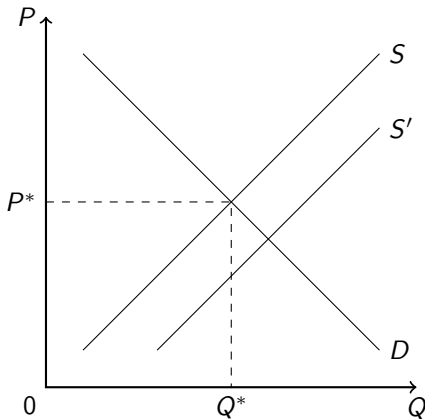


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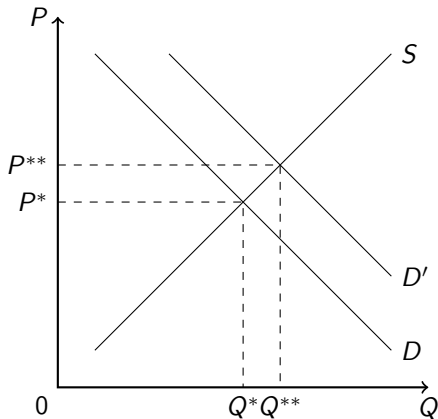


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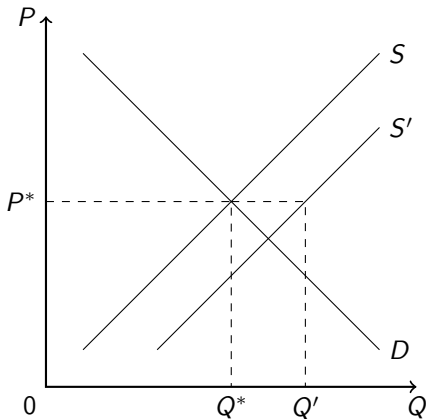


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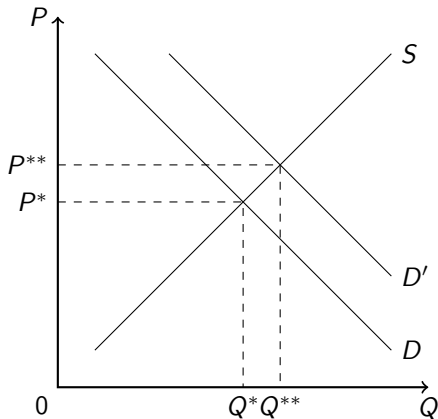


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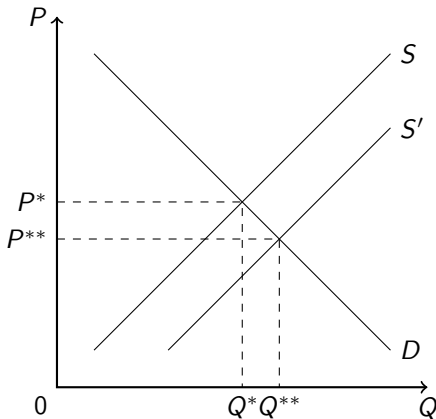


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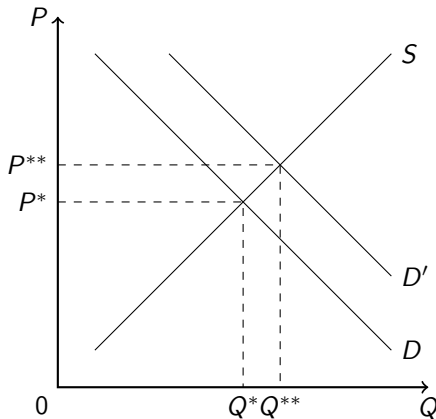


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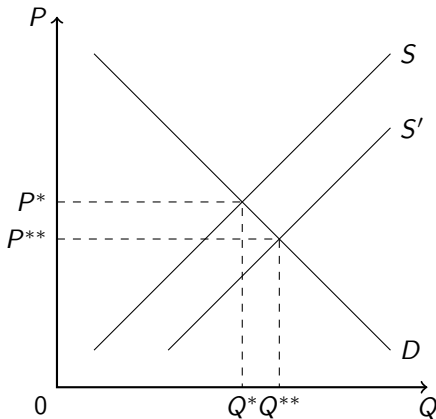


Review of Concepts (iii)

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(a) $D \uparrow \rightarrow$ shortage $\rightarrow P \uparrow, Q \uparrow$. Note P and Q move in the same direction.

(b) $S \uparrow \rightarrow$ surplus $\rightarrow P \downarrow, Q \uparrow$. Note P and Q move in opposite directions.

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Q1: K&W Problem 3.1

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- the possible effects on demand, supply, or both
- the possible change in the equilibrium price and quantity of chocolate ice cream.

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- (c) The discovery of cheaper synthetic vanilla flavoring lowers the price of vanilla ice cream.
- (d) New technology for mixing and freezing ice cream lowers manufacturers' costs of producing chocolate ice cream.

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Q2: K&W Problem 3.8 (i)

Suppose that the supply schedule of Maine lobsters, as well as the domestic and foreign demand schedules, all in pounds, are given by the following.

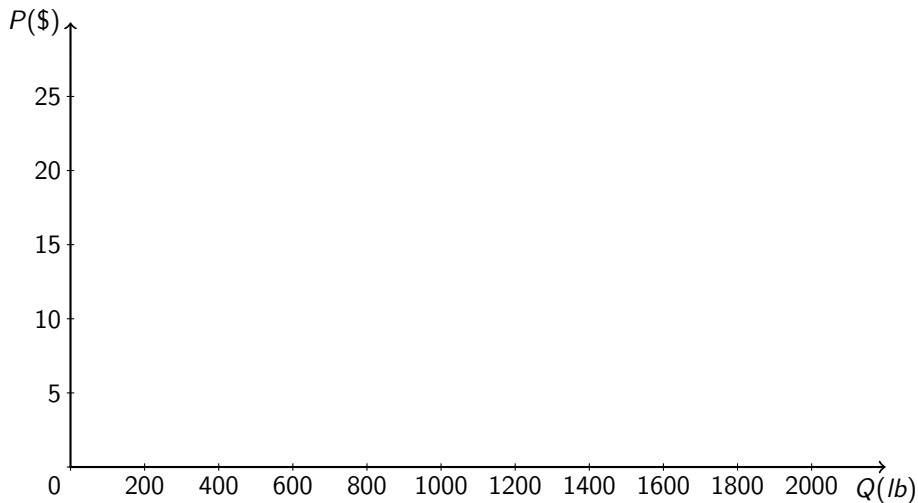
Table 1: Supply and Demand Schedules for Maine Lobsters

Price (\$)	Supply	Domestic Demand	Foreign Demand
25	800	200	100
20	700	400	300
15	600	600	500
10	500	800	700
5	400	1000	900

- (a) Draw the domestic demand curve and the supply curve for Maine lobsters. What are the equilibrium price and quantity of lobsters?

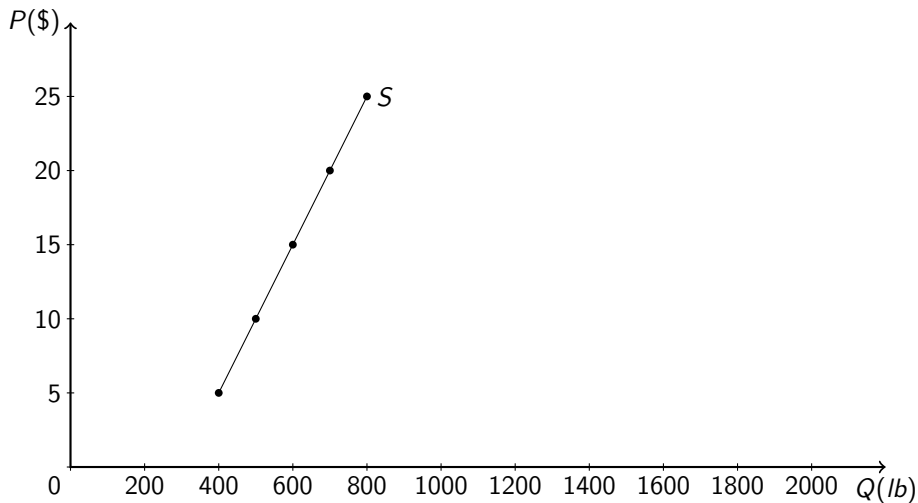
Q2: K&W Problem 3.8 (ii)

Figure 2: Maine Lobsters



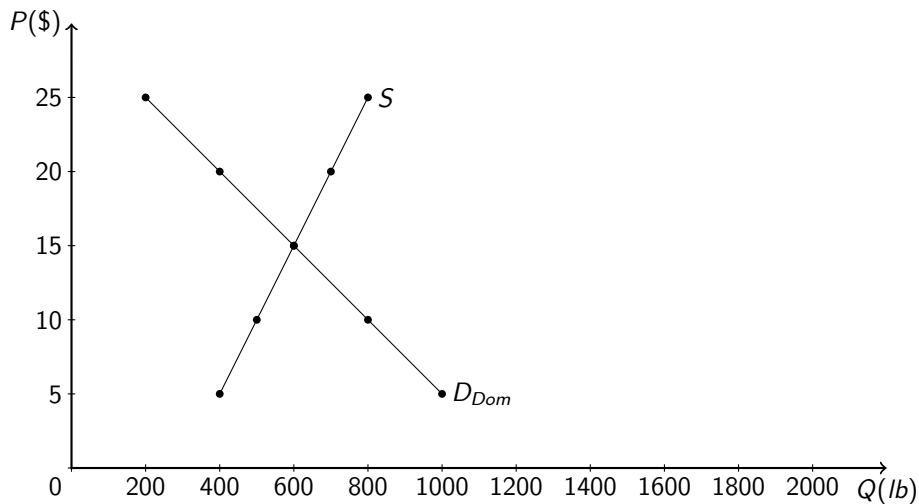
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Figure 2: Maine Lobsters



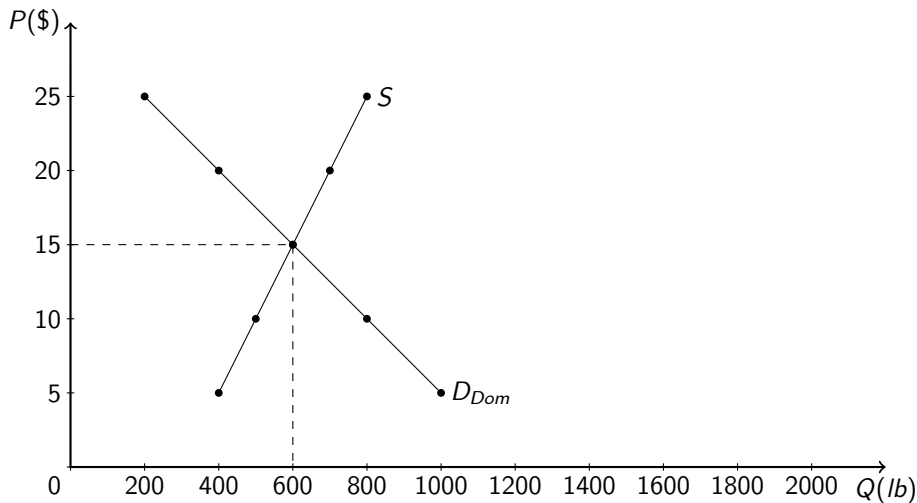
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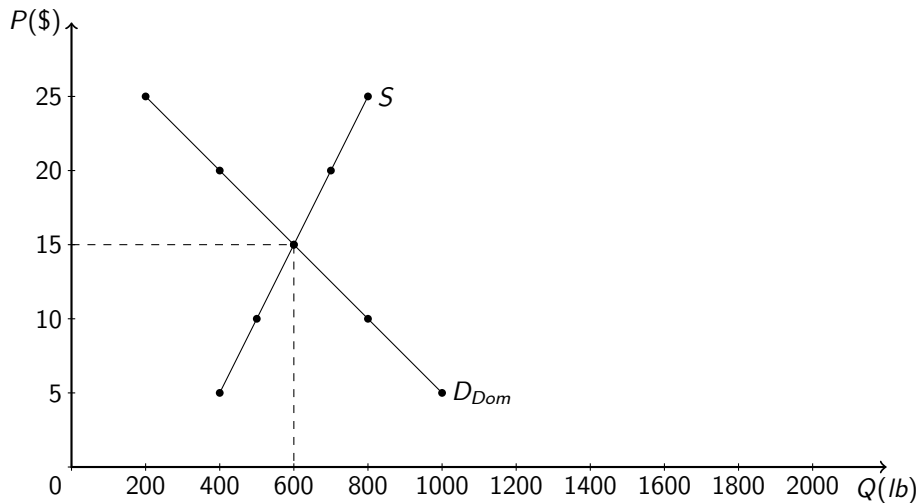
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- (a) Draw the domestic demand curve and the supply curve for Maine lobsters. What are the equilibrium price and quantity of lobsters?
- (b) Now suppose that Maine lobsters can be sold internationally. What is the demand schedule for Maine lobsters now that foreign consumers can also buy them? Draw a supply and demand diagram that illustrates the new equilibrium price and quantity of lobsters. What will happen to the price at which fishermen can sell lobster? What will happen to the price paid by U.S. consumers? What will happen to the quantity consumed by U.S. consumers?

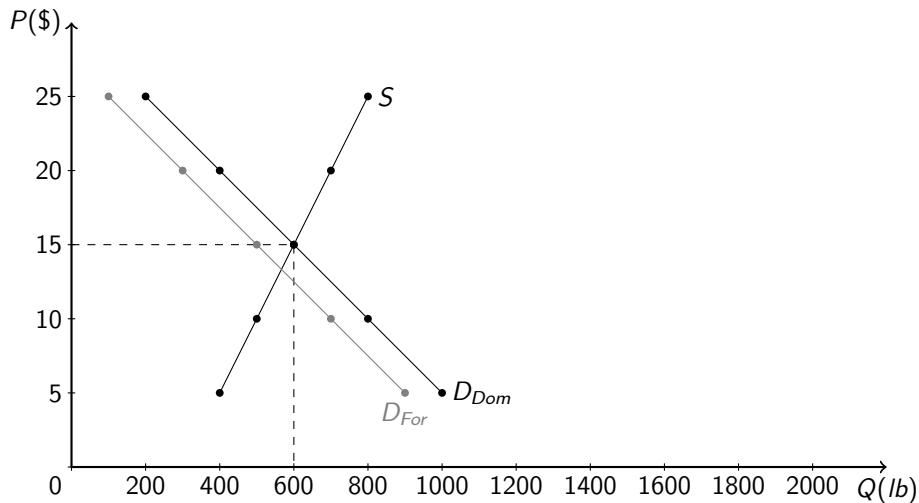
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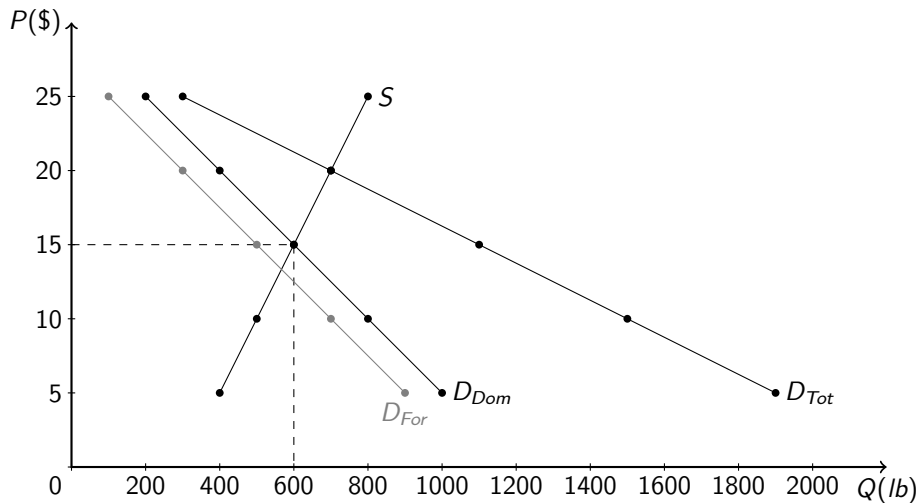
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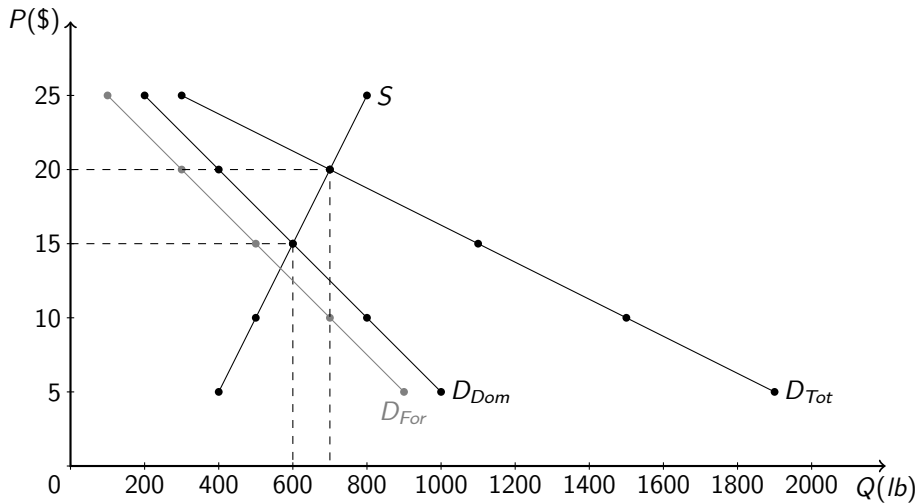
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- (a) You read that college tuition is rising every year, and yet more students attend college every year. Isn't this a violation of the law of demand? Discuss.

►► D&S Graphs

Q3: Short-answer Questions (i)

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- (b) In the Midwestern United States, the price of an ear of corn is always lowest in the summer. This seems odd because consumers really enjoy eating ears of corn in the summer. Can you explain this?

►► D&S Graphs

MTA Subway Map

1 Broadway - 7 Avenue Local

Station Service

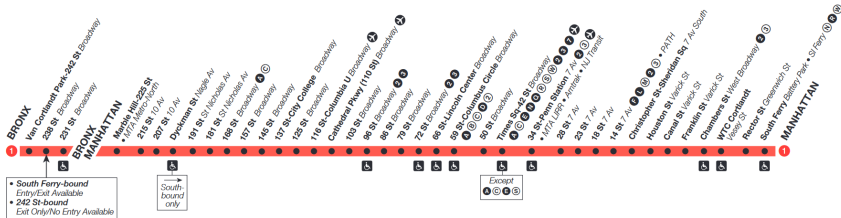
FULL-TIME
Train always
operates and
always stops here.

**ACCESSIBLE
STATION**

Transfers

A Full-time
A Part-time
NY Transportation to
airport available.

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▶ Back