University of OEB **Academic Year: 2024/2025**

Department of Economic Sciences

Second Year Licence Economics

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Lecture 01: Introduction to Microeconomics

Microeconomics is the branch of economics that studies **individuals, households, and businesses** and how they make decisions about **buying, selling, and producing goods and services**. It focuses on **supply and demand, prices, and market structures** at a small scale rather than the entire economy.

One of the key concepts in microeconomics is **demand and supply**. Demand refers to the quantity of a product that consumers are willing to buy at different prices, while supply refers to the quantity that producers are willing to sell. When demand increases, prices usually go up, and when supply is high, prices tend to decrease.

Another important concept is **market equilibrium**, which occurs when the quantity of goods supplied equals the quantity demanded. If prices are too high, consumers will buy less, leading to a surplus. If prices are too low, demand will exceed supply, creating a shortage.

Microeconomics also studies **consumer behavior**—how people make choices based on their income and preferences. Businesses analyze consumer demand to decide what products to produce and at what price. This helps companies maximize profits while ensuring customers get what they need.

Unlike **macroeconomics**, which looks at national or global economies, microeconomics focuses on small units, helping businesses and individuals make better financial decisions. It plays a vital role in shaping economic policies, pricing strategies, and business planning.

Reading Comprehension Questions

A. True or False

- Microeconomics focuses on the entire economy.
- Demand refers to how much consumers are willing to buy at different prices.
- If the supply of a product increases, prices usually rise.
- Market equilibrium occurs when demand and supply are equal.
- Macroeconomics and microeconomics study the same things.

B. Short Answer Questions

1. What does microeconomics study?
2. What happens to prices when demand increases?
3. What is market equilibrium?
4. How do businesses use microeconomics?
5. How is microeconomics different from macroeconomics?

Vocabulary Section

A. Match the words to their definitions:

1. Microeconomics
2. Demand
3. Supply
4. Equilibrium
5. Consumer
6. Surplus
7. Shortage
8. Profit

Definitions:

a. The amount of goods and services available in a market.

b. A situation where demand and supply are equal.

c. A person who buys goods or services.

d. When there is more supply than demand.

e. The branch of economics that studies individual markets.

f. The desire of consumers to buy a product.

g. The money a business makes after costs.

h. When there is not enough supply to meet demand.

Grammar: The Present Simple

The present simple tense is used to describe general facts, habits, routines, and events that are always true.

I	Stem	invest
You	Stem	invest
She/He/It	Stem+ s/es	invests
We	Stem	invest
You	Stem	invest
They	Stem	invest

Activity: Let's practice using the present simple tense in economics-related sentences. Fill in the blanks with the correct form of the verb.

- Economists ____________ (study) market behavior to predict future trends.
- Demand for luxury cars ____________ (rise) when the economy is strong.

- The government ____________ (implement) new policies to stimulate economic growth.
- Inflation ____________ (impact) the purchasing power of consumers.
- Central banks ____________ (adjust) interest rates to control inflation.