Page No.:
Date : / /

e - Notes of Economics :-

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BA I Paper - 01

Topic → . Micro and Macro Economics.

Microeconomics and Macroeconomics :

Economics is divided into two different categories, Microeconomics and Macroeconomics.

Microeconomics :

Definition :- Microeconomics is the study of individuals, households and firms, behaviour in decisions making and allocation of resources.

It is applied to markets of goods & services and deals with individual and economic issues.

Microeconomics is a branch of economics that ~~study~~ studies the ~~behaviour~~ behaviour of individuals and firms in making decision regarding allocation of scarce resources, and the interaction among these individuals and firms.

P.T.O.

Page No.:
Date : / /

Concept of Microeconomics →.

→ Microeconomic study deals with what choices people make, what factors influences their choices and how their decision affect the goods market by affecting the price, the supply and demand.

→. Microeconomics shows condition under which free market leads to desirable allocations.

→ It analyzes market failure, where market fails to produce efficient results.

→ Another goal of microeconomics is to establish and analyze market mechanisms that establish relative price among goods and services and allocate limited resources among alternative uses.

→ Microeconomics focuses on firms and individuals.

Importance of Micro-Economic Analysis →.

(1.) Allocation of Resources – Micro economics helps in understanding the phenomena of allocation of resources in an economy.

Page No.:
Date: / /

(2) The distribution of National Income :-

Microeconomic theory helps in understanding distribution of national income.

How national income is accounted can be clearly explained with the help of micro economic theory.

(3) Consideration of Welfare :-

Welfare economics or the societal welfare scenario can be explained with the help of micro economic theory.

Micro economic theory plays a vital role in study of welfare economics.

(4.) Importance of applied field of economics:-

Micro economics helps in understanding the development of application of applied field of economics.

(5) Microeconomics takes a top-down approach and looks at the economy as a whole, trying to determine its course and nature.

(6) Micro economics focuses on supply and demand & other forces that determines price level.

In a nutshell it can be said that the key factors of study of microeconomics are as follows →.

1. Demand, supply and Equilibrium
2. Production Theory
3. Costs of Production
4. Labour Economics.

Limitations of Micro - Economics →

(1) It always thinks of individual factors of production or individual consumer, so it may not be always true on aggregate levels.

(2) It's result or conclusions are always on certain assumption.

(3) The aggregate analysis or the overall approach to any economic problem is the beyond the reach of it.