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B.A Part 01

Paper – 01

Topic – Introduction to Microeconomics

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MICROECONOMICS

The term microeconomics is derived from the Greek word micros meaning “small” .

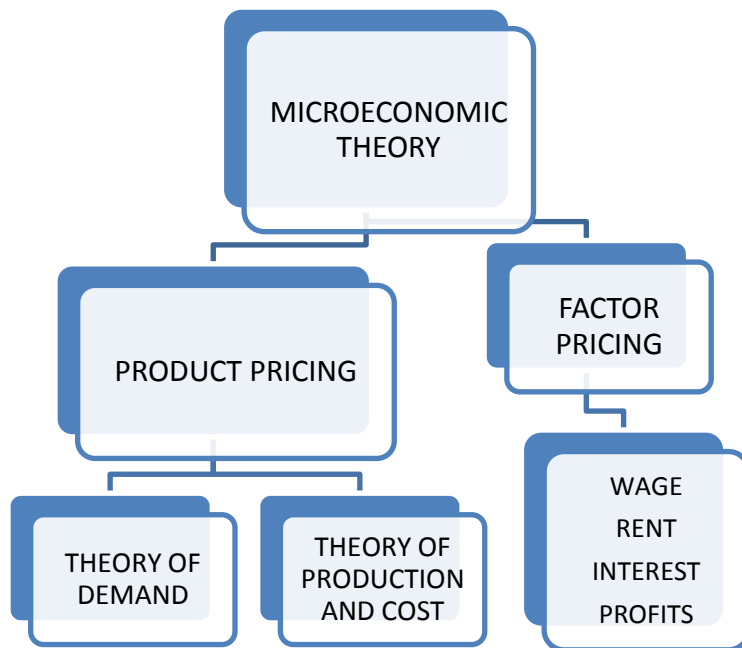
Microeconomics deals with the analysis of small individual units of the economy such as individual consumers, individual firms and small aggregates or groups of individuals such as various industries and markets. The study of economic system or economy as a whole lies outside the domain of microeconomic analysis as it confines itself with study of individual or small units.

Microeconomic theory takes the total quantity of resources as given and seeks to explain how they are allocated to the production of various goods.

Microeconomics occupies a vital place in economics and it has both theoretical and practical importance, it is highly helpful in the formulation of economic policies that will promote the welfare of the masses.

Microeconomics occupies a vital place in economics and it has both theoretical and practical importance as it is the microeconomics which tells that how a free –market economy with its millions of consumers and producers work to

decide about the allocation of Productive resources among the thousands of goods and services.



Microeconomic Theory involves Product Pricing and Factor Pricing, and besides this it also involves **Theory of economic Welfare** which is considered as the predominant theory in the economics as it involves welfare of the masses.

Microeconomic Analysis is also usefully applied to the various applied branches of economics such as Public Finance, International Economics.

It is the macroeconomic analysis which is used to explain the factors which determine the distribution of the incidence or burden of a commodity tax between producers or sellers and it also shows gains from international trade and the method through which these gains could be distributed among member countries. Thus Macroeconomics is an important key branch of

economics which helps in understanding various branches of economics and also in learning an insight to the applied part of economics.