

Institute of Engineering JIWAJI UNIVERSITY



Presentation On MICRO ECONOMICS UNIT-IV BE 8sem (EL-8103) Electronics

Submitted By
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CONTENT

- DEFINITION

- KEY POINTS

- UNDERSTANDING MICROECONOMICS

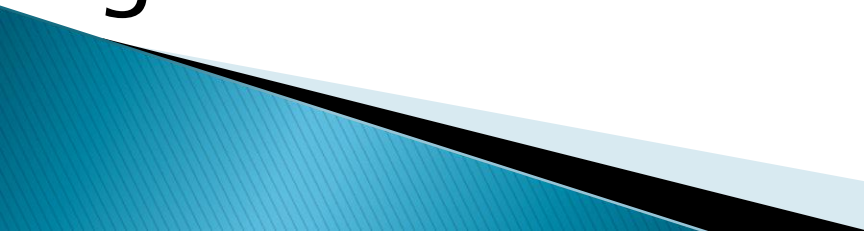
- USES MICROECONOMICS



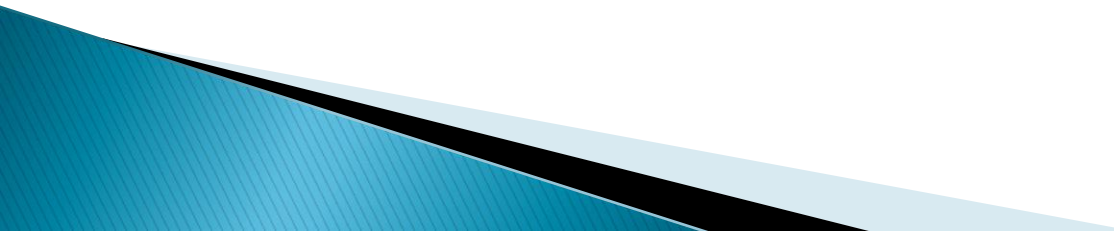
CONTENT

- ❑ METHODS OF MICROECONOMICS
 - ❑ CONCEPTS OF MICROECONOMICS
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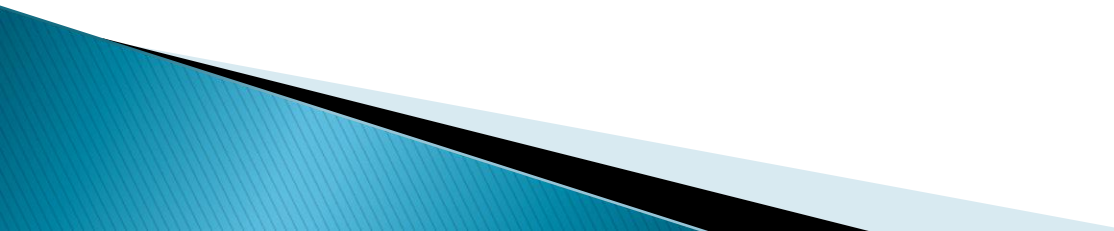
DEFINITION

- ▶ Microeconomics is the study of individuals, households and firms;
 - ▶ Behavior in decision making and allocation of resources.
 - ▶ It generally applies to markets of goods and services;
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DEFINITION

- ▶ And deals with individual and economic issues.
 - ▶ Microeconomics is the social science that studies the implications of incentives and decisions,
- 


DEFINITION

- ▶ Specifically about how those affect the utilization and distribution of resources.
 - ▶ Microeconomics describes the pricing of products and money, causes of different prices,
- 


DEFINITION

- ▶ To different people, how can provide more or less benefit,
 - ▶ To producers, consumers and others,
 - ▶ How individuals best coordinate and cooperate.
- 


KEY POINTS

- ▶ Microeconomics studies the decisions of individuals and firms;
 - ▶ To allocate resources of production, exchange, and consumption.
 - ▶ Microeconomics deals with prices and production in single markets and the interaction between different markets,
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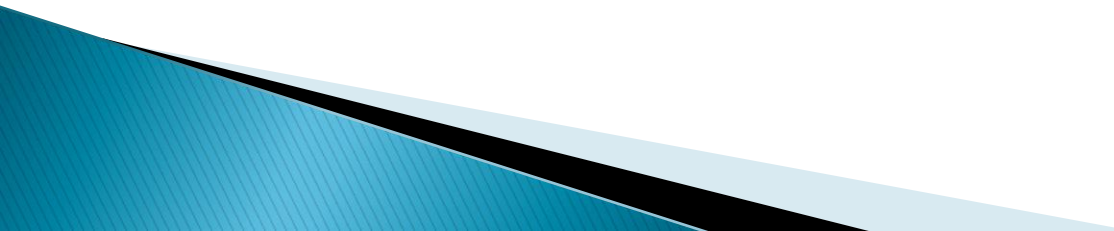
KEY POINTS

- ▶ But leaves the study of economy-wide aggregates to macroeconomics.
 - ▶ Micro economists formulate mathematical models based on samples of behavior and test;
 - ▶ The models against real-world observations.
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Understanding Microeconomics

- ▶ Microeconomics is the study of what is likely to happen (tendencies),
 - ▶ When individuals make choices in response,
 - ▶ To changes in incentives, prices, resources, and/or methods of production.
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Understanding Microeconomics

- ▶ Individual actors are often grouped into microeconomic subgroups,
 - ▶ Such as buyers, sellers, and business owners.
 - ▶ These groups create the supply and demand for resources, using money
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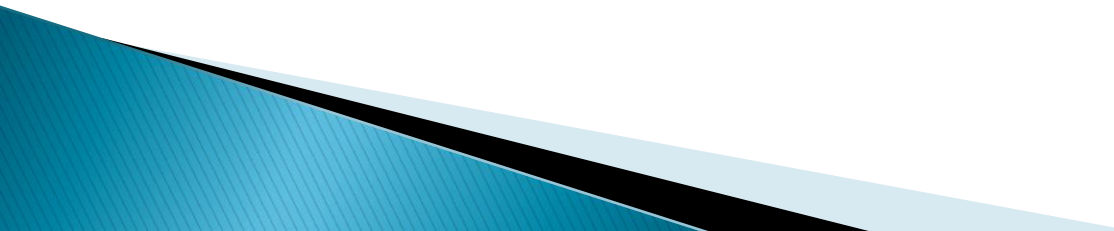
Understanding Microeconomics

- ▶ And interest rates as a pricing mechanism for coordination.

Uses Microeconomics

- ▶ As a purely normative science, microeconomics does not try
 - ▶ To explain what should happen in a market.
 - ▶ Instead, microeconomics only explains what to expect if certain conditions change.
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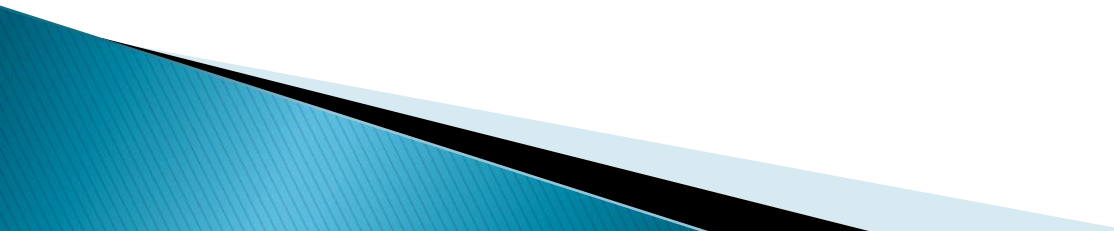
Uses Microeconomics

- ▶ If a manufacturer raises the prices of cars,
 - ▶ Microeconomics says consumers will tend to buy fewer than before.
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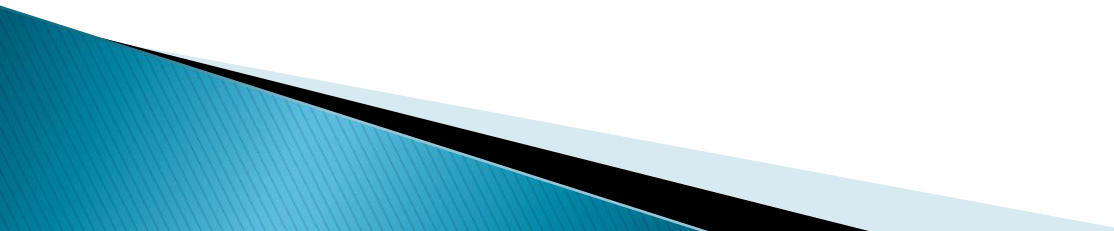
Methods of Microeconomics

- ▶ Microeconomic study historically has been performed according to general equilibrium theory,
- ▶ developed by Léon Walras in *Elements of Pure Economics* (1874) and partial equilibrium theory,
- ▶ Introduced by Alfred Marshall in *Principles of Economics* (1890).

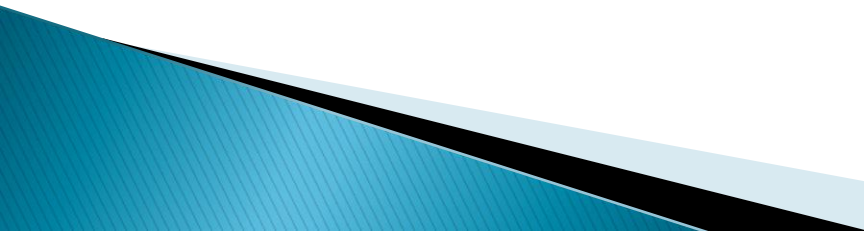
Methods of Microeconomics

- ▶ The Marshallian and Walrasian methods fall under,
 - ▶ The larger umbrella of neoclassical microeconomics.
 - Neoclassical economics focuses on how consumers and producers,
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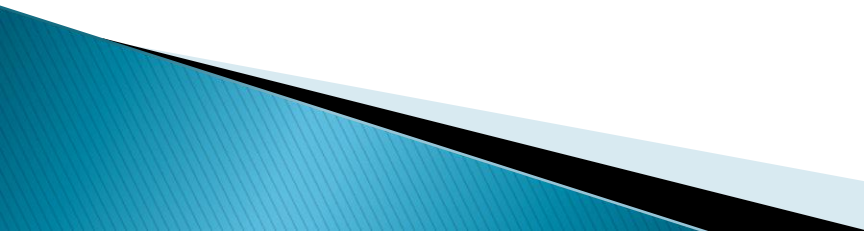
Methods of Microeconomics

- ▶ Make rational choices to maximize their economic well being,
 - ▶ Subject to the constraints of how much income and resources they have available.
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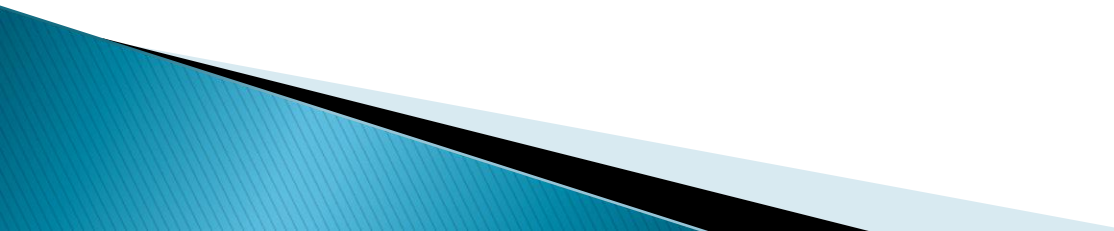
Methods of Microeconomics

- ▶ Neoclassical economists make simplifying assumptions about markets;
 - ▶ Such as perfect knowledge, infinite numbers of buyers and sellers, homogeneous goods, or static variable,
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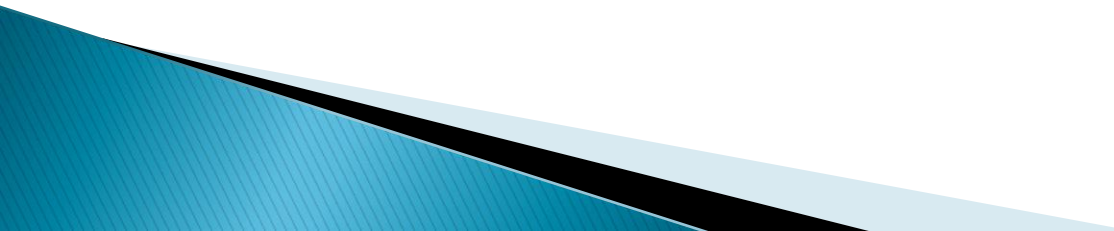
Methods of Microeconomics

- ▶ Relationships—in order to construct mathematical models of economic behavior.
 - ▶ These methods attempt to represent human behavior in functional mathematical language,
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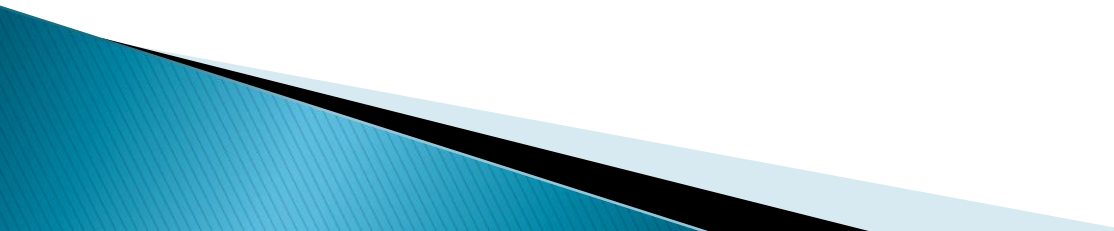
Methods of Microeconomics

- ▶ Which allows economists to develop mathematically testable models of individual markets.
 - ▶ Neoclassical believe in constructing measurable hypotheses about economic events,
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Methods of Microeconomics

- ▶ Then using empirical evidence to see which hypotheses work best.
 - ▶ In this way, they follow in the “logical positivism” or “logical empiricism” branch of philosophy.
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Methods of Microeconomics

- ▶ Microeconomics applies a range of research methods,
 - ▶ Depending on the question being studied and the behaviors involved.
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Concepts of Microeconomics

□ Incentives and behaviors:

- How people, as individuals or in firms, react
- To the situations with which they are confronted.

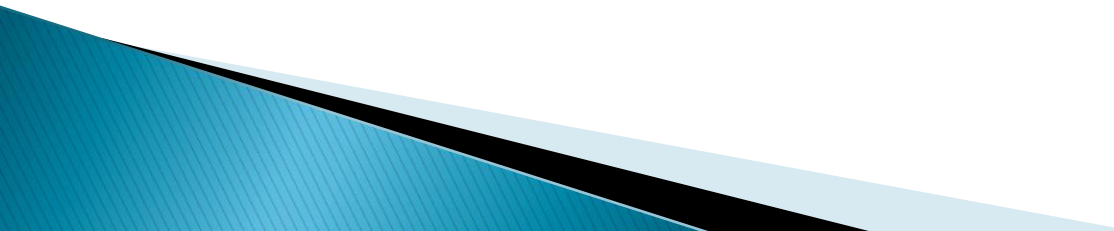
Concepts of Microeconomics

□ Utility theory:

- Consumers will choose to purchase and consume a combination of goods;
 - That will maximize their happiness or “utility,” subject to the constraint,
 - How much income they have available to spend.
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Concepts of Microeconomics

□ Production theory:

- This is the study of production—or the process of converting inputs into outputs.
 - Producers seek to choose the combination of inputs and methods,
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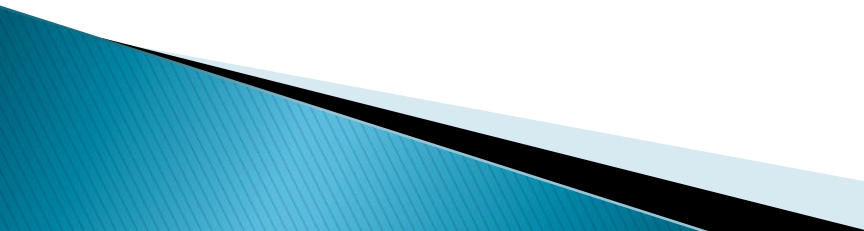
Concepts of Microeconomics

□ Production theory:

- Combining them that will minimize cost in order to maximize their profits.

Concepts of Microeconomics

□ Price theory:

- Utility and production theory interact to produce the theory of supply,
 - And demand, which determine prices in a competitive market.
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Concepts of Microeconomics

□ Price theory:

- In a perfectly competitive market, it concludes that the price demanded by consumers is the same supplied by producers.
- That results in economic equilibrium.

THANK YOU