

MGT 104

Micro Economics

Micro Economics

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 and deals with individual and economic issues.

Micro Economics

Microeconomic study deals with what choices people make, what factors influence their choices and how their decisions affect the goods markets by affecting the price, the supply and demand.

Micro Economics

Microeconomics is the social science that studies the implications of incentives and decisions, specifically about how those affect the utilization and distribution of resources.

Microeconomics shows how and why different goods have different values, how individuals and businesses conduct and benefit from efficient production and exchange, and how individuals best coordinate and cooperate with one another.

Micro Economics

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 but leaves the study of economy-wide aggregates to macroeconomics.

Microeconomists formulate various types of models based on logic and observed human behavior and test the models against real-world observations.

Nature of Microeconomics

- ❖ Study of the economic behavior of **individual units of an economy** (such as a person, household, firm, or industry)
- ❖ Microeconomics is primarily concerned with the factors that affect:
 - ❖ *Individual economic choices,*
 - ❖ *The effect of changes in these factors on the individual decision makers,*
 - ❖ **How their choices are coordinated by markets,** and
 - ❖ **How prices and demand are determined in individual markets.**

Nature of Microeconomics

- Three goals of Microeconomics:
 - **What** to produce?----- **Goods and services**
 - **How** to produce? -----**Production Process**
 - **For whom** to produce? ----**Consumer Behavior**

The *main contents covered* under microeconomics include:

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- **“Theory of Demand”**,
- **Theory of the firm**, and
- **Demand for labor and other factors of production.**

Scope of Micro-economics

Theory of Product Pricing

Demand Analysis

Supply Analysis

Theory of Factor Pricing

Rent

Wages

Interest

Profit

Theory of Economic Welfare

Efficiency in production

Efficiency in consumption

Overall economic efficiency