

# Introduction to Microeconomics

## Welfare and Efficiency

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# Welfare Economics

- Welfare Economics is the branch of Economics → Allocation of **Resources** and Well-being  
"How does resources allocation affect the well-being?"
- On the whole, examines what is best for the society
- People are economic agents and rational beings (Assumption)
- They would maximise their benefits; driven by self-interests
- We will cover the basics of Welfare Economics

# Market Economy

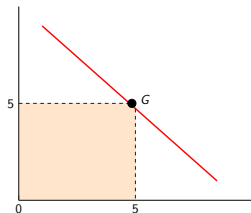
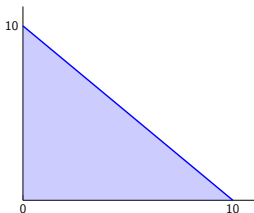
- In the market economy, there are buyers and sellers
- The market is efficient at the equilibrium.  
Market failure when it is not at the equilibrium (e.g. shortage and surplus)

- Consumer Surplus
- Producer Surplus
- Total Surplus
- Concept of Tax and Effects of Tax

# Some basic geometry formulae

- 1 Area of Triangle:  $\frac{1}{2} \times \text{Height} \times \text{Base}$
- 2 Area of Rectangle: Length  $\times$  Width

# Graphs



Calculate the areas of shaded regions.