



PRESIDENCY COLLEGE
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Microeconomics

Induction Vs Deduction Methods

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40
YEARS
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WISDOM



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AFFILIATED TO BENGALURU CITY UNIVERSITY, APPROVED BY AICTE, DELHI & RECOGNISED BY THE GOVT. OF KARNATAKA

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Micro Vs Macro Economics

	Micro economics	Macro economics
1	study of Individual Units Firms, Profits, Consumers, producers, markets	Study of Economy as a whole
2	Problems: Demand forecasting, Profit max, cost Minimization, Optimum allocation of resources	Problems: Unemployment, Income levels, Inflation Level of NI, Inflation, Growth, Price stability
3	Individuals demand & Individual Supply	Aggregate demand & aggregate supply
4	Individual Markets- difference in prices Partial equilibrium study	General equilibrium Max. level of employment to attain highest level of NI
5	Firms & Industry level	Business cycles- Government & Monetary policy



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Induction and deduction Approach

- **Deductive method** involves reasoning from a fundamental propositions, of the truth.

Initial assumption. Building Relations, Testing, Conclusion.

- **Inductive method** collection of facts, drawing conclusions from them and testing the conclusions by other facts.

Experiments, Observations & Use of Statistics tools



Type of reasoning:

A Scottish farmer found that in the cultivation of his field an increase in the amount of labor and capital spent on it was bringing in less than proportionate returns year after year, an economist observing such instances in the case of several other farms, and then he is arriving at the generalization.



Type of reasoning:

- Firms always attempt to maximize profits
- Countries with higher growth attract high inflows of FDI





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The Basic Problem: Causes

- (a) Unlimited wants,
- (b) Limited resources and
- (c) Alternative uses of resources.



Central Problems of an Economy

“ The Problem of Allocation of Resources”

What to produce and in what quantities?

How to produce?

For whom to produce?

Some more problems?

(a) The problem of optimum utilization of resources

(b) The problem of growth of resources

