

PRESIDENCY COLLEGE (Autonomous)

Microeconomics



Reaccredited by NAAC with A+







PRESIDENCY COLLEGE

(AUTONOMOUS)

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

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Economic Decisions



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the effect of a policy change

- a government program to educate unemployed workers,
- an increase in military spending, or
- an enhanced environmental regulation

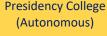


**a single change may have multiple effects





Government's production of helium



• government production of helium for military purposes reduces the cost of children's birthday balloons,



• substitution (Alternate uses) of resources.

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 There is reduction in demand for clowns reduces clowns' wages and thus reduces the costs of running a circus.



This cost reduction increases the number of circuses, thereby forcing zoos to lower admission fees.



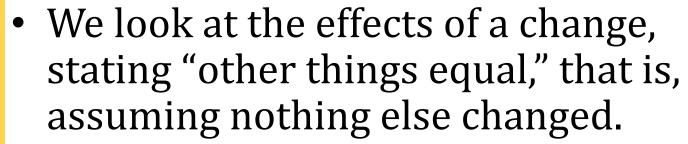
 Thus, were the government to stop subsidizing the manufacture of helium, the admission fee of zoos would likely rise.

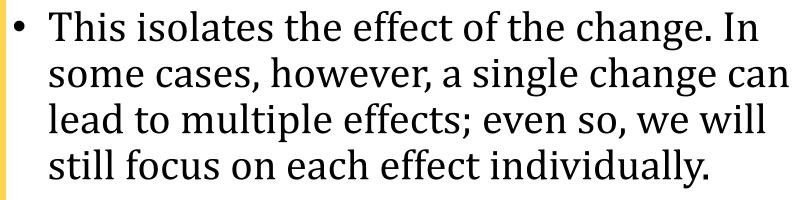
even though zoos use no helium.





The need for Assumptions.





"other things equal" = "ceteris paribus."



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