

Nishat M

P-2

Microeconomics

4. Objective	Microeconomics studies principles, problems and policies concerning the optimum allocation of resources with maximum satisfaction.	Macroeconomics studies the problems, policies and principles, BOP connection, poverty reduction, etc. relating to full employment and growth of resources.
5. Price	Microeconomics studies relative price i.e. price of a particular commodity.	Macroeconomics studies general price i.e. average price of goods and services available.
6. Equilibrium	Microeconomics studies partial equilibrium analysis. It studies equilibrium at a particular point of time. It doesn't consider other factor. So, regarded as a static analysis.	Macroeconomics studies general equilibrium analysis i.e.; all variables changes with time. So, it is regarded as dynamic analysis.
7. Employment	Microeconomics provides full employment equilibrium.	Macroeconomics provides under employment equilibrium.
8. Limitation	Microeconomics fails to take into account of aggregates.	Macroeconomics fail to take into account of individuals.
9. Subject matter	The subject matter of microeconomics deals with the determination of price, consumer's equilibrium, distribution and welfare, etc.	The subject matter of macroeconomics studies full employment, price level, national income, trade cycles, etc.
10. Methodology	Laws of microeconomics are formulated on assumptions.	Laws of macroeconomics are far from assumptions.
11. Scope	Microeconomics has very narrow scope.	Macroeconomics has very wide scope.



Distinguish between Micro Economics and Macro Economics.

Ans (Distinguish): Micro, Macro

Q. Distinguish between Micro Economics and Macro Economics.

Ans:-

Differences between Micro and Macro Economics
ব্যঙ্গিক এবং সামঙ্গিক অর্থনীতির মধ্যে পার্থক্য

The field of economics is fragmented into two broad categories namely: microeconomics and macroeconomics. Microeconomics is the study of individuals, households and firms' behavior in decision making and allocation of resources. On the other hand Macroeconomics is a branch of economics dealing with the performance, structure, behavior, and decision-making of an economy as a whole. Some of the important differences between Microeconomics and Macroeconomics are given below.

Basis	Microeconomics	Macroeconomics
1. Origination	Microeconomics is originated from Greek word 'MIKROS' which means small.	Macroeconomics is originated from Greek word 'MAKROS' which means large.
2. Definition	Microeconomics is the study of how individual households and firms make decisions and how they interact in markets.	Macroeconomics is the study of economy wide phenomena, including inflation, economic growth and unemployment.
3. Theory	Microeconomics is known as Price Theory.	Macroeconomics is known as Income theory.

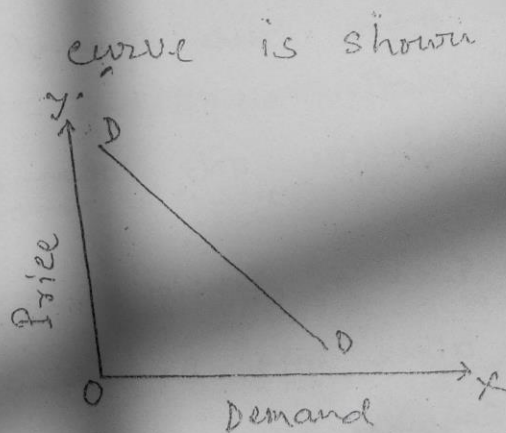
(iv) Substitution effect: If the price of a substitute good falls consumer will buy it than other good.

(v) change in the number of consumers;
Rise and fall in the number of consumers of the good concerned effects the quantity of demand / demand curve.

Slope of a demand curve is shown below:

In the figure Price is measured in terms of Y-axis and quantity of demand in X-axis.

DD - is the demand curve which is negatively slopped.



মোঃ আব্দুল করিম
অধ্যাপক,
অর্থনীতি বিভাগ
কারমাইকেল কলেজ, রংপুর।

Mico - Economics

বাগা : Lent ②/A
বাগা নং-২০, সড়ক নং-১০
বাগ ইঞ্জিনিয়ার পাড়া,
রংপুর-৫৪০০
টেলিফোন : ৪৫৮২

তারিখ.....

Q. Why demand curve slopes downward to the right?

Ans: Demand curve slopes down ward.. that is negatively sloped for the following causes:

① Law of demand : According to this law if price rises demand falls and vice-versa. This relation in between Price and demand will be effective only when demand slopes down ward.

② Law of diminishing marginal utility:

Other things remaining the same, if a consumer consumes more and more of a commodity, the marginal utility of it will be decreasing as the quantity increases. So, he will be ready to pay less than before unit he purchased.

③ Income effect: Decrease in the price of a commodity means increase in income of a consumer and vice-versa. i.e. Δ income leads to Δ demand

Q. What are the exceptions to the Law of demand?

Ans: Exceptions or limitations of law of demand is as follows:

[Law of demand will not be effective]

- ① Giffen good: ~~Thorstein~~ vs Robert Giffen - Statistician
(Demand for labourless)
- ② Veblen goods: Thorstein Veblen - Demonstration effect of rich people - (Demand)
- ③ Money illusion.
- ④ propensity to save
- ⑤ Speculative motive of the consumer (সংকল্প মনোবৃত্তি)
- ⑥ change in tastes, age and season
- ⑦ Income effect
- ⑧ Prices of Complementary and Substitute goods.

bulls were used. Naturally, percentage production was very low.

But, now-a-days, with the introduction of scientific apparatus, such as tractor, power tiller, harvester etc. rate of percentage production increased markedly.

So, the relation between economics and engineering is an important phenomena.

—X—

Q: Discuss the relationship between Economics and Engineering.

Ans: Economics and Engineering are inter-related.

Economic development cannot be achieved without engineering aid. Every sector of the economy depends on engineering and technological assistance. Agriculture, industries, transport - communications and all other sectors of the economy need the use and implementation of technological device, without it desired output and services cannot be achieved. To minimise or lower the cost of production and save the time engineering assistance is a must.

on the other hand, engineering development also depends on economic aid. Invention and creation of scientific machineries need the cost of money - which is an important subject-matter of economics.

The relation can be cleared with the example of our agricultural sector. Previously, in the cultivation of land wooden plough and

(iii). Indicate the way to solve economic problems:

The theory of economics is a method rather than a doctrine. Economics not only analyse economic problem but also shows the ways of solution.

(iv). Consumption: Economics deals with the notion of wants, demand and consumption. It finds out the path with which wants are satisfied as maximum as possible.

(v) Production: It is an important subject-matter of economics. To satisfy wants there is need for production. The branch of economics in which laws of returns, necessary factors of production etc, are discussed is called theory of production.

(vi). Exchange: People or a country cannot produce all sorts of goods they need. Different people produce different kinds of goods and services. Economics discuss and find out the way of exchange in between different people as well as different countries.

(vii). Distribution: To produce goods and services there is need for factors of production. The theory of distribution in economics analyses the method how remuneration will be distributed amongst the factors of production.

(viii). Public Finance: Now-a-days role of Govt. is essential in every economy. Economics discusses about sources of income and heads of expenditure of the Govt.

(ix). Economic Development: Study of economics points out the way and planning - so that, highest economic development may be achieved with the use of available resources.

Discuss the Scope/subject matter of Economics. [Page-2]

Ans: There has been a lot of controversy among economists about the true scope of economic theory. The scope or subject matter of economics has been variously defined by economists. However, the study of Economics is divided by the modern economists into two parts, viz, micro-economics and macro-economics.

An economic system may be looked at as a whole, such as consuming units, producing units etc. when we analyse the problems of economics as a whole it is macro economic studies. While an analysis of the behaviour of any particular decision-making unit, such as a firm, a consumer, constitutes micro-economics.

Realising from various views of economists we can induce subject-matter or scope of economics very consisely as follows:

①. Economics is a social science: It discusses the activities of human being in the society, other than the behaviour of the persons outside the society, viz, activities of a saint.

②. Economics aspects of life: It deals with the activities of man — performed to satisfy cardinal desires, e.g. food, clothing, shelter - etc. with limited resources.