2nd feb.

★ Economics is a social Science that focus on Production, Distribution and consuption of goods and services. choice of individual, gov. or association allocate service for resources.

Economics
- Micro - economics (on individual base)
- Macro - economics (on wide level).

★ Micro economics :-
Demand, Supply, equilibrium
eg:- Individual demand, price of product.

★ Macro - economics:-
eg:- Capatalist nation, investment expenditure & reserve

~~Sc~~ [Scarcity:-] lack of product or resource.

HW:- Difference b/w Micro and Macro economics :-
★ Imp

Micro economics.	Macro economics..
① Study of individual income.	① Study of national income.
② Analyse demand and supply of labour.	② Analyse total employ in the economy.
③ Studies individual prices.	③ Study overall prise level.

③ Deals with household and firm decision.	③ Deals with aggregate decisions.
④ Analyses demand and supply of goods.	④ Analyse aggregate demand and aggregate supply.

- Economics is a social science that focuses on production, distribution & consumption of goods and services and choices that individual, business, gov. and nation make to allocate resources.

- Economics is the study of how people allocate scarce resources for production, distribution and consumption both individually and collectively.

★ The two branches of economics are:—
① Micro – economics
② Macro – economics.

★ Micro- economics:—
- Micro economics analysis (studies) how individual and firm make decision to allocate resources.
- Economist may analyse how these entities respond to change in rise in prize.

★ Important Concepts of Micro economics:—
① Demand, supply and equilibrium.

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② Production theory
③ Cost of Production.
④ labour economics.

★ Ex. of micro-economics:—
Individual demand and Price of Products.

★ Macro- economics:—
- It is the branch of economics that studies the behaviour and performance of an economy as a whole.
- In macro- economics, we normally survey the associations of the nations, total expenditure and the degree of employment with certain features like cost price, wage rates, rate of interest, profit.

★ Important Concepts of Macro- economics:—

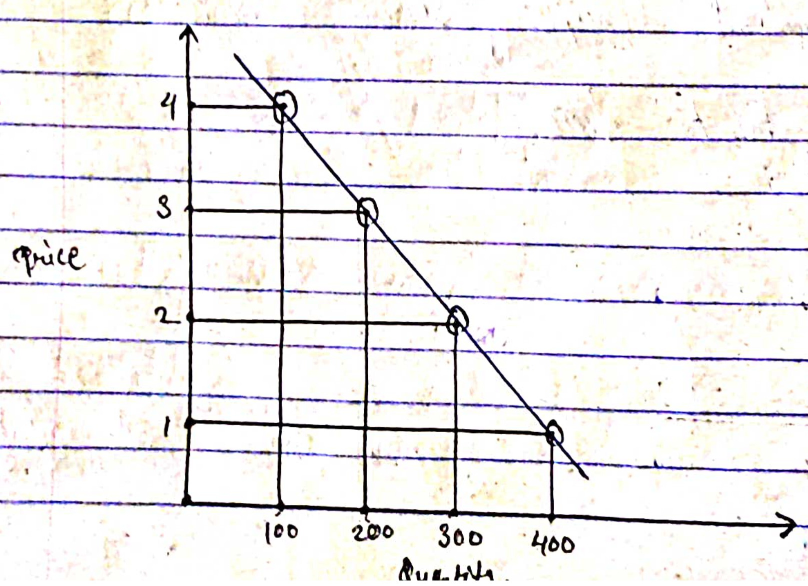
① Capitalist nation.
② Investment
③ Expenditure
④ Revenew.

★ Demand:—
- In economics scarcity means demand with relation to supply.

★ Conditions required ~~for~~ demand:–
Assumptions of Law of Demand:–
① Homogenous quality of goods.
② Large numbers of buyers and sellers.

Imp ★ **Def. of law of Demand.**

- Law of Demand is fundamental principal of Economics that takes that a higher price consumer ~~can~~ will demand lower quantity of goods.
- Law of Demand states that there is an inverse relation between the price of comodity and its quantity demanded,(all other factors affect the demand remain constant).



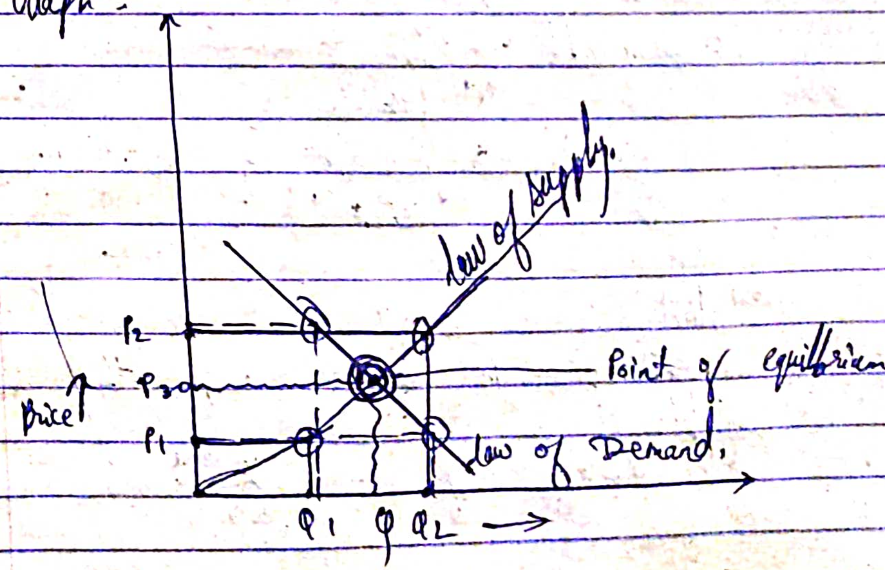
- The Law of Demand valid only when all other factor determining the demand like prices of related goods, taste and preferance of buyers remain constant.

★ **Causes of Law of Demand:–**

When the price of good falls it has following two effects that lead a consumer to buy more of that comodity.

★ **Point of Equilibrium:–**

Graph.



* Income Effect:-

When the price of the comodity falls, consumer purchasing power increases so consumer buy more comodity. This is called Income effect.

* Substitution Effect:-

When the price of the comodity falls, it becoms relatively cheaper, so consumer substitute this cheaper comodity for other goods, which are relatively expensive. This is called as a substitution effect.

Imp * Elasticity :- fluctuation

Eco. variable → Price
→ Quantity
→ Availabity of Quantity / product / substitute
→ ~~Cost~~ Income.

Elasticity is a concept of economics that focuses on ~~the~~ the effect of chang in one economic variable on other economic variable.

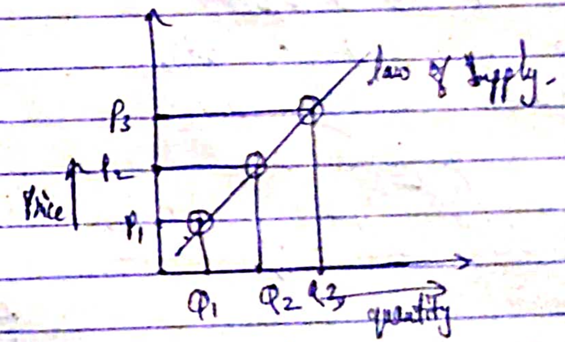
* Elasticity of Demand:-

① Elasticity of Demand specifically measure the effect of change in an E.V on the quantity demand of a product.

PTO. →

* Law of Supply:-

It states that other factors remaining constant price and quantity supplied of a good are directly related to each other. $P \approx Q$



Imp * Define Elasticity:-
Question * Elasticity of Demand.
* Write short note Elastility of Demand.

② EOD is a measure of change in quantity demanded of a product in response to change in any of the market variables like price, income, etc.

③ Formula:-

$$\boxed{\text{Elasticity of Demand} = \frac{\%\ \text{change in demand quantity}}{\%\ \text{change in economic variable}}}$$

④ Demand for a comodity is affected by different economic variables.

① Price of the comodity.
② Price of related comodities.
③ Income level of consumer.

☆ Types of EOD.

Price Elasticity of Demand	Income EOD	~~Cost~~ Cross EOD.
$\frac{\%\ \text{chng in demd quantity}}{\%\ \text{chng in price}}$	$\frac{\text{quantity}}{\text{Income}}$	$\frac{\text{quantity}}{\text{Cross}}$
(responsiveness of demand)	(whether good is luxury or necessary)	

☆ Types of Elasticity of Demand:-

① Price Elasticity of Demand:-

Any price change of a comodity affect the quantity demanded of a product.

⟹ Raw material required to make a product is comodity.

This measure of responsiveness of quantity demanded when there is change in price is termed as price elasticity of demand.

$$\boxed{PED = \frac{\%\ \text{change in demand quantity}}{\%\ \text{chang in price}}}$$

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② Income Elasticity of Demand:-

It refers the sensitivity of quantity demanded for a certain good to change in real income of the Consumer.

This can be understand with the example good sold in the rural area and good sold in metro city.

annual income

$$\boxed{YED = \frac{\%\ \text{change in quantity demand}}{\%\ \text{change in income}}}$$

(5) ~~Good~~ Cross elasticity of Demand:-

(3) Cross elasticity of Demand:-

The Change in price of one good causes a change in the demand for another.

$$\boxed{XED = \frac{\text{proportion change in purchase of comodity (x)}}{\text{proportion change in price of commodity (y)}}}$$

★ Inflation:-

Overall prices of comodity increases, Income value decreases.

★ Deflation:- (is a situation of general fall of price level and increase in the value of money).

Overall prices of comodity decreases, Income value increases.

★ Inflation:-

Inflation is a rise in prices which can be translated as the decline of purchasing power.

– Understanding of Inflation:-

(1) It is very easy to see change in price of Particular product over time.

(2) Human needs extents in very small amount but individual need a big an diversified (different types of) set of product as well as set of services to live comfortable life. (eg:- Commodity life of food, electricity, health services).

(3) Inflation aims to measure the overall impact of price change for a diversified set of products and services.

★(4) Value of money decreases.