

# Microeconomics

- 1) To understand the world
- 2) To be good participants in economy.

IIT  
fee

work  
salary



Own business / saving

## 3) Economic policy

Positive  
"what is"

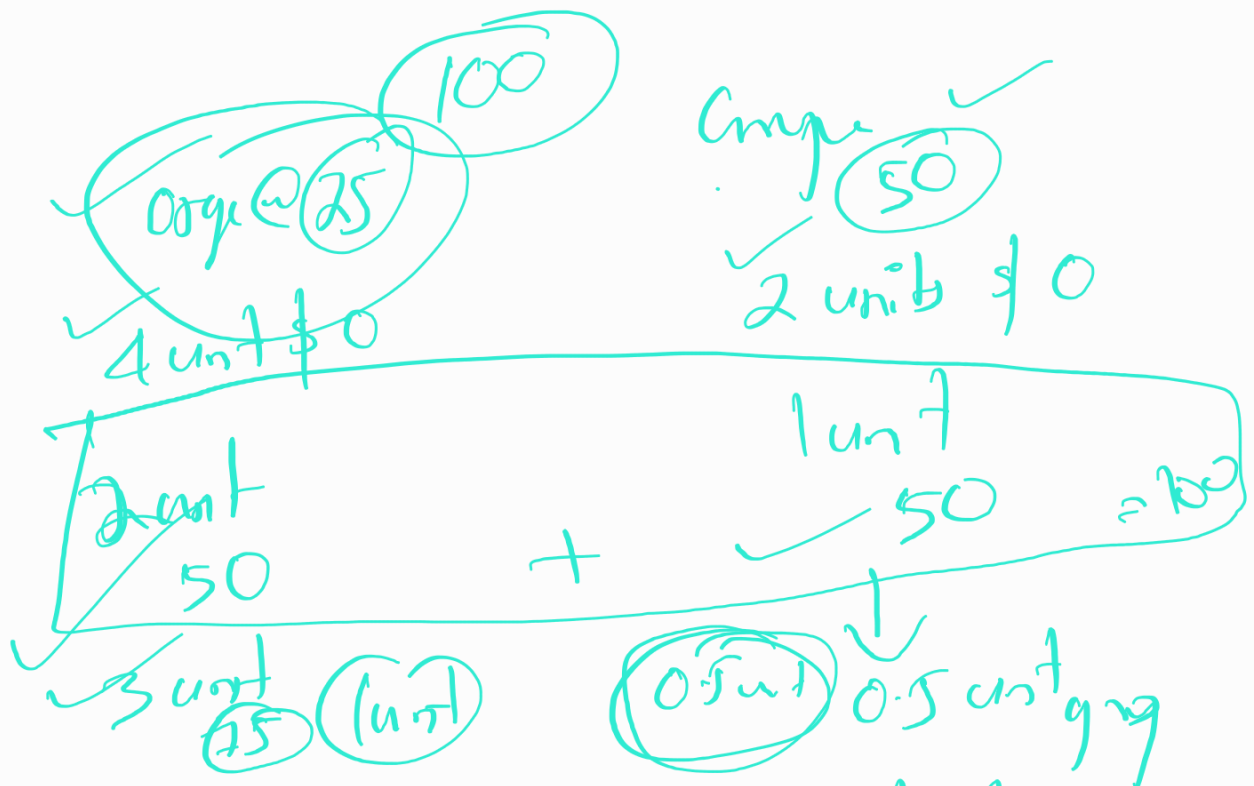
(\$1) GDP 10% 3/2

Normative  
"what should be"  
7%

# Principles of Economics

- 1) People face trade-offs ✓
- Students! Time to Study v/s LA
  - Consumers! Oranges v/s Croquettes
  - Firms! iPhone v/s Macbook ✓
  - Gov't! Efficiency v/s Equality
- maximum benefit      Equal distribution of welfare/benefit

2) The cost of something is what you give up to get it.  
opportunity cost



OC 1 unit of orange = 0.5 unit of croquet.  
OC 1 unit of croquet = 2 units of orange.

3) Rational people think at the margin

↳ Do the best to attain their objective

Consumer  
max satisfaction / utility

Firm  
max profit

200

marginal benefit

200

$150 \times 2 = \underline{\underline{300}}$   
marginal cost  
0  $\Rightarrow$

