



Micro economics



The prefix 'micro' is derived from Greek word 'mikros', meaning small.

“Micro economics studies the economic behaviour of individual economic units and individual economic variables.”

The study of economic behaviour of the households, firms and industries forms the subject-matter of micro economics.

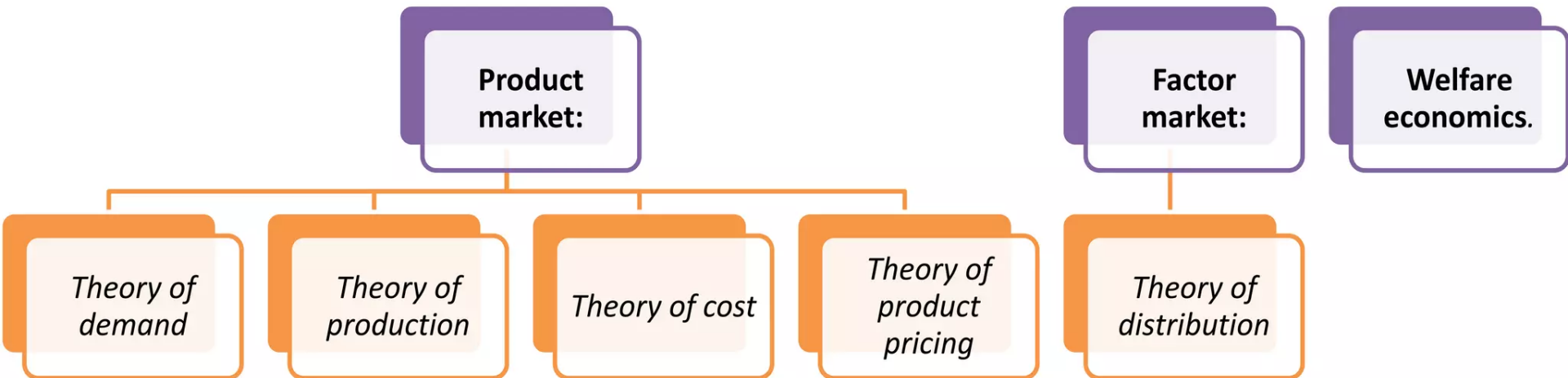


Micro economics is concerned with economic activities of individual economic units as consumers, resource owners and business firms.

It revolves around the interaction of consumers and producers in markets.

It explains how these individuals as consumers or households, as resource owners and as producers play their part in the working of the whole economic system.

Micro economics is concerned with



Thus, micro economics deals with

Determination of product prices

Determination of factor prices and their quantities in the individual markets

The allocation of resources among various firms and industries.

It deals with the action and interaction of individual markets-product and factor markets.



Macro economics



"Macro economics deals not with individual quantities as such but with aggregate of these quantities; not with individual incomes but with national income; not with individual prices but with the price level; not with individual outputs but with the national output."

- Prof. Boulding

The prefix 'macro' is derived from the Greek word '*makros*' meaning, 'large'.

Macro economics is the study of the economy as a whole.

Macro economics " deals with the functioning of the economy as a whole."

Theory of National Income

Theory of Output and Employment

Theory of General Price Level

Theory of Economic Growth

Theory of International Trade

Theory of Money



Microeconomics

It deals with an individual's economic behavior.

It deals with the pricing of a particular commodity in an industry.

Price is the basic parameter of micro economics.

Study of micro economics is important for resource utilization, public finance, and for taking business decisions.

Macroeconomics



It deals with aggregate economic behavior of the people in general.

It deals with the general price level in the economy, National income accounting, etc.

Income is the basic parameter of macro economics.

Study of macro economics is important for formulation of economic policy of the whole nation.



Microeconomics

The concepts of micro-economics are independent concepts.

The concepts were popularized by the famous Alfred Marshall.

These concepts have more theoretical value.

Bottom up view of the economy

Macroeconomics



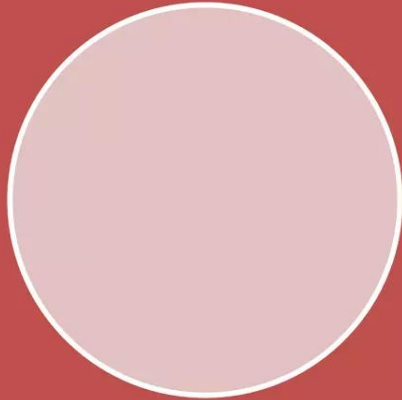
The concept of macro economics are interdependent on one another.

The concepts were popularized by the famous Lord J.M. Keynes.

These concepts have more practical value.

Top down view of the economy

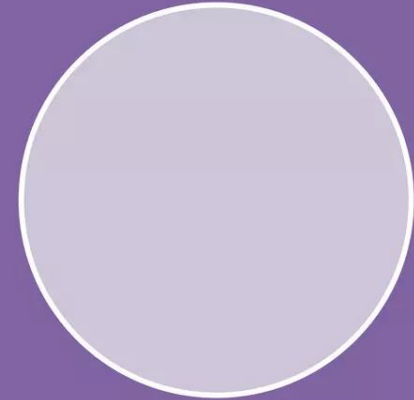
Interdependence of Microeconomics & Macroeconomics



Prof. Paul A. Samuelson has aptly remarked, *"There is really no opposition between micro and macro economics. Both are vital. You are less than half-educated if you understand one while being ignorant of the other."*



Macro economics deals with 'big' issues of economic life but the entire economy is made up of its parts.

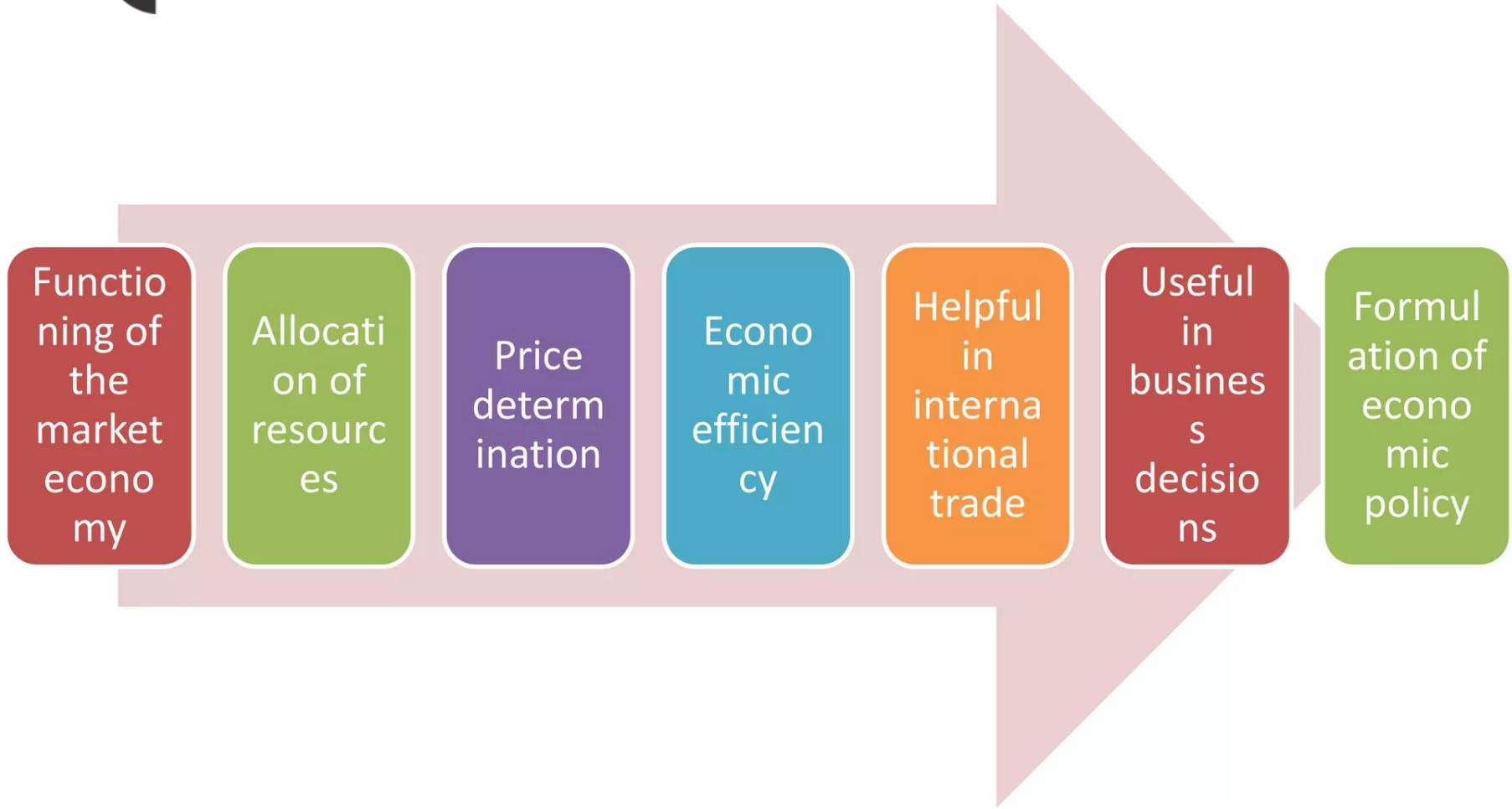


Basic goal of both micro economic and macro economic theories is the maximisation of material welfare of the people and the entire economy.



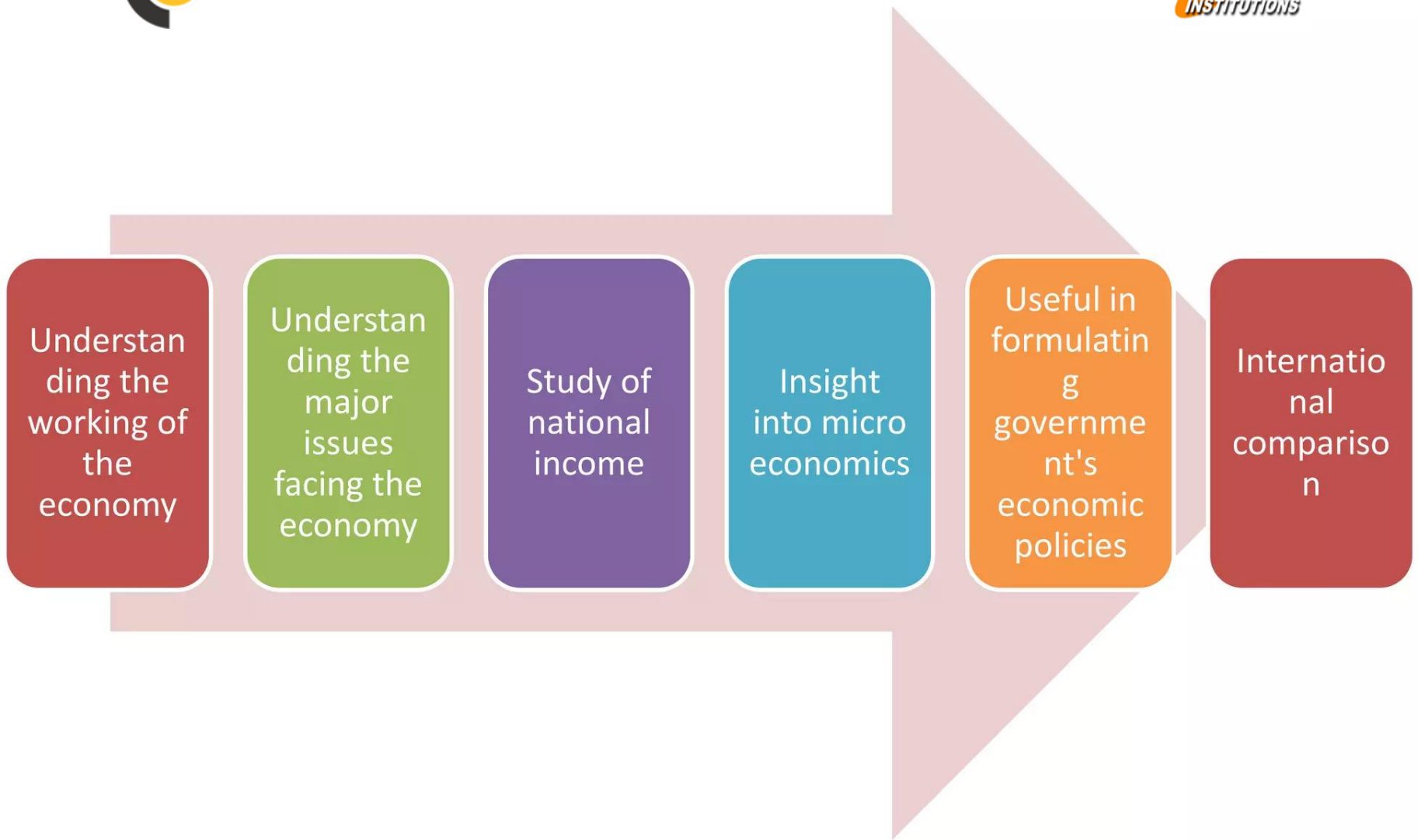


Importance of Micro economics





Importance of Macro economics



Understanding the working of the economy

Understanding the major issues facing the economy

Study of national income

Insight into micro economics

Useful in formulating government's economic policies

International comparison