Assainment No. 1

Q.1 choose the correct option

1) The branch of economics that deals with the allocation of resources micro economics
only a

2) concept studied under micro economics c and d

3) ~~concept studied under micro economics~~

3) method adopted in micro economics analysis
only c Slicing method

4) concept studied under micro economics.
a, b and c a) whole economy, b) Economic develepment, c) Aggregate supply

Q.2 complete the correlation

① micro economics : slicing method :: macro economics : lumping method

② micro economics : Tree : macro economics : : Forest

③ macro economic theory : Income and employmen :: macro economics : Price theory

④ makros : macro economics :: mikros : micro economics

⑤ General equilibrium : macro economics.
partial equilibrium : micro economics

Q.3 Identify and explain the concept from the given illustration.

① Gauri collected the information about the income of a particular firm

-) concept : micro economics (study of individual unit)
Explantion: micro economics is the study of the behaviour of small individual economic units, like individual firm individual price, individual household etc.

2) Ramesh decided to take all decision related to production, such as what and how to produce?

-) concept : Free market Economy.
Explanation: A Free ~~Marketing~~ economy is that economy where the economic decisions regarding production of goods, such as 'what to produce?, How much to produce?, How to produce? etc. are taken at individual levels. There is no intervention by the goverment or any other agency.

3) Shabana paid wages to workers in her factory and interest on her bank loan.

-) Concept: Theory of factor pricing
Explanation: In macro economics land, labour capital entreneur are the factors that contribute to the production process, micro economics help in determining the factor reward for land labour capital and enterpreneur in the form of rent wages, interest and profit respectively.

Q.4 ~~Explain~~ Answer the following.

① Explain the features of micro economics.

-) 1) Study of Individual units: micro economics is the study of the behaviour.
2) Small individual economic units like individuals firm, individual price, individual household etc.

② Price Theory: micro economics deals with determination of the prices of good and services as well as factor of production. Hence, it is known as price theory.

③ Partial Equilibrium: Equilibrium is the balance between two factors.

2) micro economic analysis deals with Partial equilibrium which analyses equilibrium Position.
③ Individual economic unit i.e Individ ~~eo~~ firm, Individual consumer, Individ Industry etc. It
④ It isolates an invidual units from other forces and studies its equilibrium independently.

④ Based on certain Assumption: ① micro econmics begin with the fundamental assumption.
② other thing remaining constants (ceteris Paribus) such as perfect competition.
③ laissez-faire Policy, Pure capitalism, full employment etc. These assumption make the analysis simple.

⑤ Slicing method:
① micro economics uses slicing method. It splits or divides the whole economy into small individual units.
② Studies each unit separately in detail For example, study of individual income out of national income, study of individual demand out of aggregate demand etc.

6 use of marginalism principle:
1) The concept of marginalism is the key tool of micro economic analysis. The term marginal means change brought in total. by. 2) Additional unit marginal analysis
2) helps to study a variable through the changes. producers and consumer take economic decisions using this principal.

7 Analysis of market structure:
1) micro economics analyses different market structure such as perfect competition.
2) monopoly, monopolistic competition. oligopoly etc.

8 limited scope:
1) The scope of micro economics is limited to only individuals units.
2) It doesn't deal with the nationwide economic problems such as inflation deflation balance of payment, poverty unemployment population, economic growth etc.

2] Explain the importance of ~~micro~~ macro econo[my]

-) 1] Functioning of an Economy:
i] macro economic analysis given us an idea of the functioning of an economic system.
2] Economic fluctuations:
i) macro economics helps to analyse the causes of fluctuations in income.
3] National Income:
i) Study of macro economics has brought forward the immense importance of the study of National income.
4] Econmic Development:
i] Advanced Studies in macro economics help to understand the problem of developing countries such as poverty, inequalities of income and wealth difference ~~between~~ in the standard of living of the people etc.
5] Performance of an Economy:
i] Macro economics helps us to analyse the performance of an economy. National income (NI) estimate are used to measure the Performance of an economy.
6] Study of Macro economic variables:
i) To understand the working of the economy study of Macro economic variables are ~~related to~~ important.

7) level of Employment: ~~macro~~
i) macro economics helps to analyse the general level of employment and output in an economy.

8) Explain the scope of macro economics.

-) i) Scope of macro Economics

- Theory of Income and Employment
  - Theory of Consumption Function
- Theory of General Price level and inflation
  - Theory of Investment Function
- Theory of Economic Growth and Development
- macro Theory of Distribution

Theory of Consumption Function + Theory of Investment Function → Theory of Business cycles.

1) Theory of Income and Employment:
i) macro economic analysis explain which factor determine the level of National income and Employment.

2) Theory of General Price level and Inflation:
i) macro economic analyis shows how the general Price level is determined and further explain what causes flutions in the level of income.

3) Theory of Growth and Development:
i) macro economic consist of the theory of economic growth and development. It explain the causes of underdevelopment and poverty.

6) macro Theory of Distribution:
i) macro theory of distribution with the relative various factors ~~and~~ that contribute to economic growth and development.

7] General Price level:
i) Determination and changes in general price level are studied in macroeconomics. General price level is the average of all prices of good and services currently being produced in the economy.

8] Policy - oriented:
i] According to keynes, macro economics is a Policy oriented science. It suggests suitable economic Policies to promote economic growth.

Q.5 State with reasons whether you agree or disagree with the following statement

1) The scope of micro economics is unlimited.

-) I agree with this statement
1] micro economics study of individuals behaviour and their decisions in the economy.
2] The economy is involved with production of good and services.
3) The goods and services are produced for the welfare of the people and for satisfing their needs.

4) Therefore, the scope of micro economics is unlimited.

2] macro economics deals with the study of individual behaviour.

-) I do not agree with this statement.

1] micro economics studies the behaviour of individual unit of an economy.
2) macro economics studies the behaviour of aggregates of the economy as a whole
3] macro economics is not deals with the study of individual behaviour.

3] macro economics is different from micro economics.

-) yes, I agree with this statement.

1) micro economics studies the behaviour individual unit of an economy.
2) macro economics studies the behaviour aggregates of the economy as a whole
3) micro economics scope is unlimited and macro economics scope is limited.
4) Therefore, macro economics is different from micro economics.

4) micro economics use slicing method.

-> yes, I agree with this statement.

1) ~~micro economics studies the behaviour of individual unit of an economy.~~
2) ~~macro economics studies the behaviour of ag~~

1) micro economics deals with the study of individual units of the economy.
2) It takes into accounts the demand and supply of individual units.
3) It divides the economy in slices parts or individual units for purpose of in depth study.
4) Hence, micro economics uses slicing method.

5) micro economics is known as Income theory.

-> I do not agree with statements.

1) The micro economics includes the theory of product and factor pricing.
2) The macro economics inculdinges the income theory and employment theory.
3) Hence, The micro economics is not known as Income theory.
4) Hence, The micro economy theory is known as price theory.

Q.6 Answer in detail.

1) Explain the importance of micro economics.

-) 1) Price determination :- micro economics explain how the prices of different product and various factor of production are determined

ii) Free market Economy :- micro economics helps in understanding the working of a free market economy.

ii) A Free market economy is that economy where the economic decision regarding production.

iii) How much to produce? How to produce? etc. are taken at individual level.

3) Foreign Trade :

i) micro economics helps in explainning various aspect of foreign trade.

ii) like effect to tariff on a particular commodity, determination of currency exchange rates of an Two country.

4) Economic model Building :

i) micro economics helps in understanding various complex economic situation with the help of economic models.

ii) It has made a valuable contribution to economics by developing various term, conc terminologies, tools of economic anlysis e
iii) Economic models are build using variou economic variables.

5) Business Decisions:
i) micro economics theories are helpful to businessman for taking crucial business decis
ii) These decision are related to the deter mination of Prices of good, maximization of output and profit, etc.

6) useful to Goverment:
i) It is useful to goverment in framing econo policies such as taxation policy, public expendi ure policy etc.
ii) These Policies help the goverment to atta its goals of efficient allocation of resour and promoting economic welfare of the socie

7) Basis of welfare Economics:
i) micro economics explain how best result can be obtained through optimum utilization of resource and its best allocation. It al studies how taxes affect social welfare.

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2) Explain the concept of macro economics and its features.

→ 1) Study of aggregates:
i) macro economics deals with the study of economy as a whole.
ii) It is concerned with the aggregte concept such as national income, national output national employment, general price level, business cycles etc.

2) Income Theory:
i) macro economics studyies the concept of national income, its different element, method.
ii) measurment and social accounting macro economic deal with aggreates demand and aggregate supply.

3) General Equilibrium Analyisis:-
i) macro economics deals with the behaviour of large aggregates and their functional relationship.
ii) General Equilibrium deals with the behaviour of demand, supply and prices in the whole economy.

4) Interdependence:
i) macro analysis takes into account interdependence between aggregate economic variables.
ii) such as income, output, employment, investment price level etc. For example changes in the level of investment will finally result into changes in the level of income.

5) lumping method
i) lumping method is the study of a whole economy rather than its part. According to prof. Bouliding; ~~Forest~~
ii) Forest is an aggregation of tree but it does not reval the proporeties of an individual tree.
iii) This reveals the different between micro economics and macro economics

6) Growth ~~method~~ models:
i) macro economics studies various factors that contribute to economic growth and development.
ii) It is useful in developing growth model these growth model are used for study economic development.
iii) For example, mahalanobis growth model emphasized on basic heavy industries.

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7) General Price level:
i) Determination and changes in general price level are studied in macroecomics.
ii) General price level is the average of all prices of good and services currently being produced in the economy.

8) policy - oriented:
i) According to ~~KAes~~ Keynes macro economic is a ~~Po~~ Policy oriented science. It suggests suitable economic policies ~~to promotes~~ ~~ec~~ ii) To promotes ecomomic growth, generate employment, control of inflation and depression etc.