

Study Materials for BA Subsidiary Economics Students

Part – 1

Paper – Economics

Topic – Micro and Macro Economics

Introduction

Economics is a social science concerned with the production, distribution, and consumption of goods and services. It studies how individuals, businesses, governments, and nations make choices on allocating resources to satisfy their wants and needs, trying to determine how these groups should organize and coordinate efforts to achieve maximum output.

Economics can generally be broken down into macroeconomics, which concentrates on the behaviour of the aggregate economy and microeconomics, which focuses on individual consumers and businesses.

Types of economics

The study of economics is generally broken down into two disciplines.

- 1- **Micro Economics:** - Microeconomics focuses on how individual consumers and firm make decisions; these individuals can be a single person, a household, a business/organization or a government agency. Analysing certain aspects of human behaviour, microeconomics tries to explain they respond to changes in price and why they demand what they do at particular price levels. Microeconomics tries to explain how and why different goods are valued differently, how individuals make financial decisions, and how individuals best trade, coordinate and cooperate with one another.
- 2- **Macroeconomics:** - Macroeconomics studies an overall economy on both a national and international level. Its focus can include a distinct geographical region, a country, a continent, or even the whole world. Topics studied include foreign trade, government fiscal and monetary policy, unemployment rates, the level of inflation and interest rates, the growth of total production output as reflected by changes in the Gross Domestic Product (GDP), and business cycles that result in expansions, booms, recessions, and depressions.

SNo	Micro economics	Macro economics
1	It studies individual economic unit.	It studies aggregate economic unit
2	It deals with determination of price and output in individual markets	It deals with determination of general price level and output in the economy.
3	Its central problems are price determination and allocation of resources.	Its central problem is determination of level of Income and employment in the economy.