

# MICROECONOMICS

- 1.Introduction
- 2.microeconomics vs macroeconomics
- 3.economy cyrsis

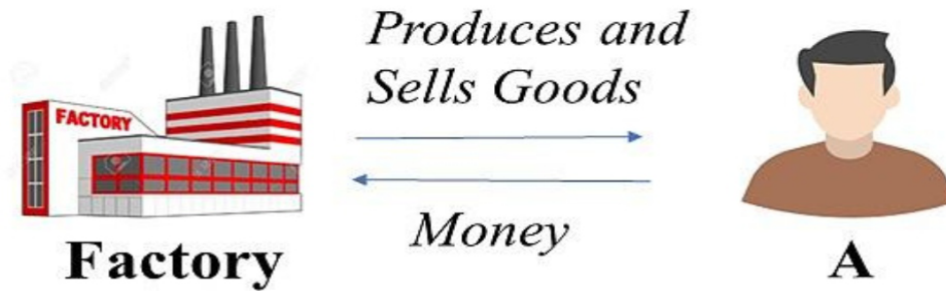


# What is an Economy

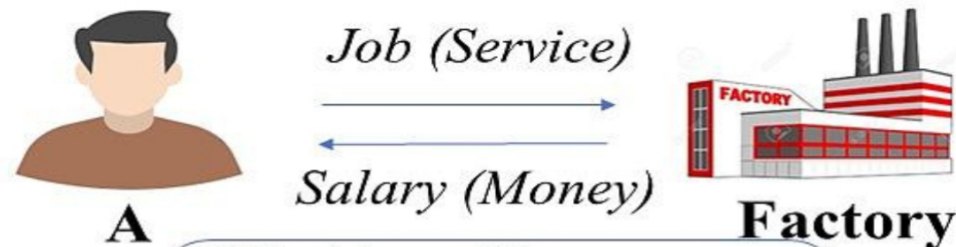
## Example

Suppose there are only 2 people in an area -Factory and Mr. A

**Factory Sells goods to Customer A**  
**A pays them money**



**A also works in same factory as Employee**  
**Factory pays him Salary**



## What is an Economy

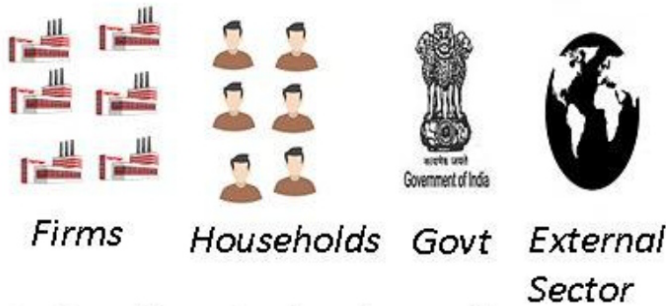
*It is a system by which Goods and services are produced ,sold and bought*

## Microeconomics →



It Studies Behavior of Individual Producer and Individual Consumer

## Macroeconomics



It Studies Behavior of Overall aggregates of economy  
Example-All sectors of an economy like Firms, Households, Govt and External Sector

## BRANCHES OF ECONOMICS

### Microeconomics



It is a branch of economics which studies behavior of Individual Economic Agents like Individual Producer, Individual Customer

↓  
This we covered in Class 11

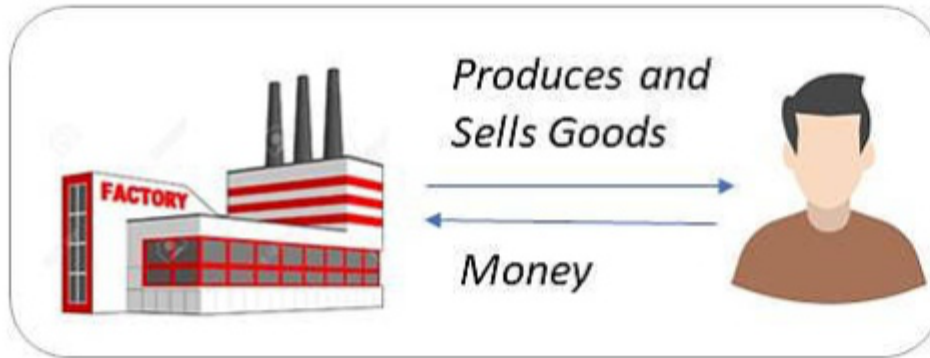
### Macroeconomics



It is a branch of economics which studies inter relationship between different sectors of economy like firms, Households, Govt and External Sector

↓  
This we will cover in Class 12

# Difference between Microeconomics and Macroeconomics



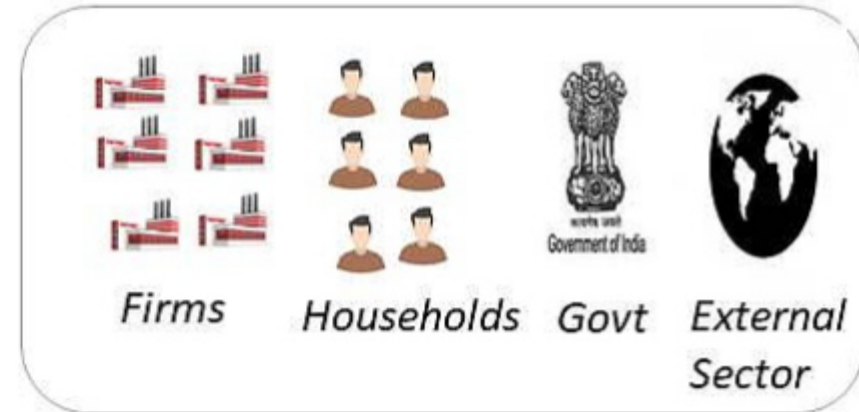
## Microeconomics

Studies Behavior of Individual Producer and Individual Consumer

It covers issues like

- Individual Demand and Individual Supply
- Regulate Price of Commodity
- Studies Effect of Individual Market Decision of a Customer or business

This we covered in Class 11



## Macroeconomics

It Studies Behavior of Overall aggregates of economy  
Example-All sectors of an economy like Firms, Households, Govt and External Sector

It covers issues like

- Market Demand and Market Supply
- Regulate Inflation in Economy
- Studies effect of decision taken by Government and RBI

This we will cover in Class 12

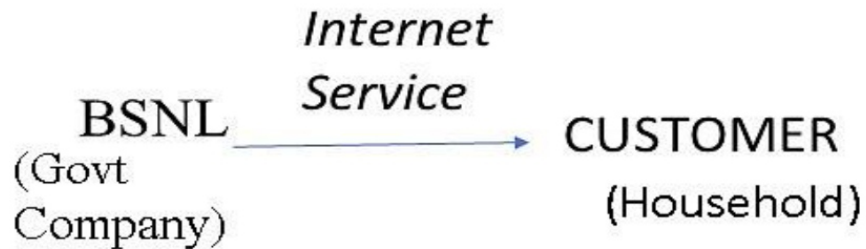


## Different Production Activities of Government

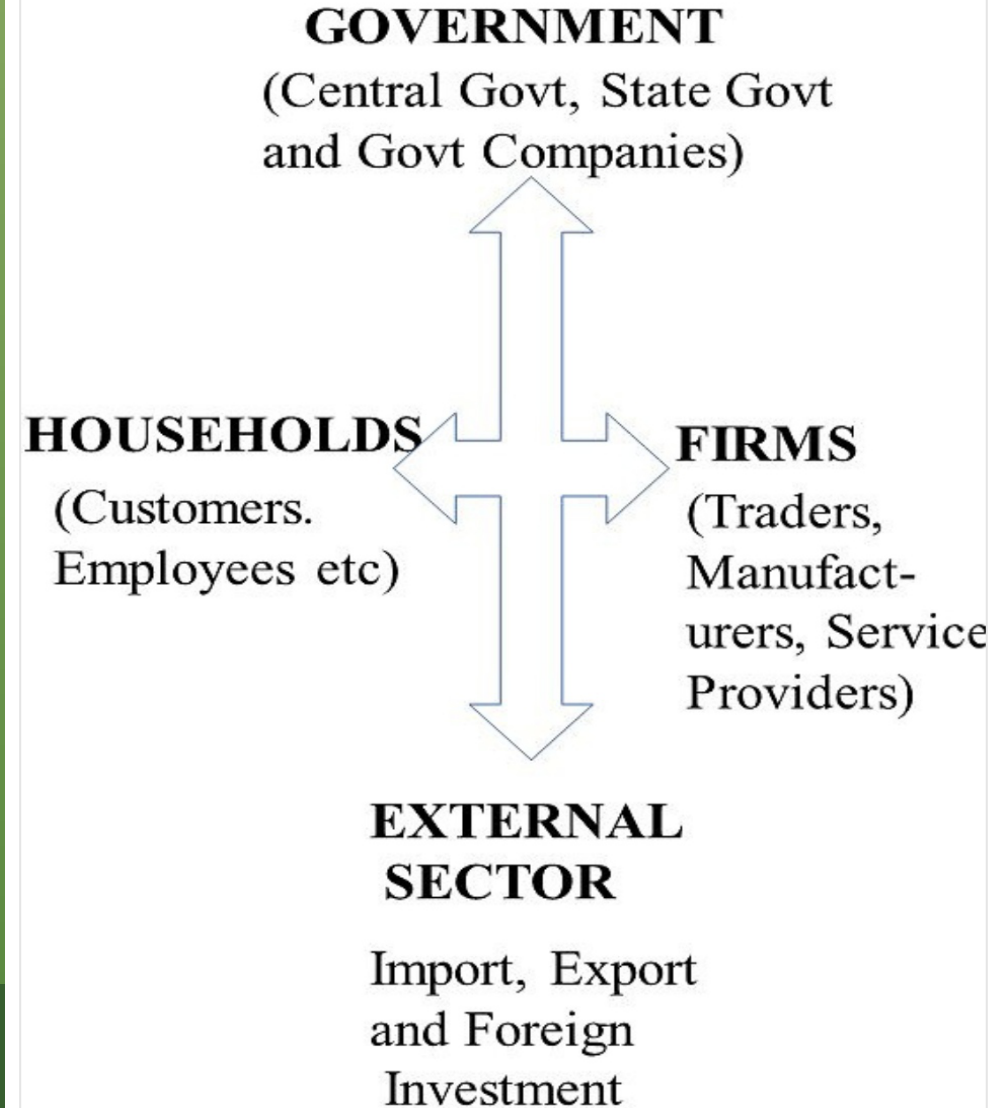
In this case, Government Companies produces different goods and services and sells to Firms and households

### Example 1

Internet Service Provided by Govt Company BSNL to our homes →

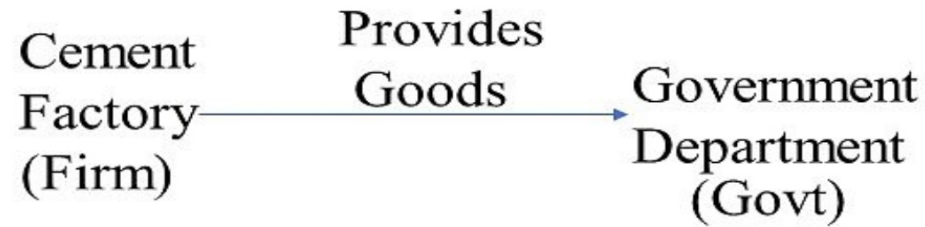


## Different Sectors of Economy



## Government Purchases Goods from Firms and Households For these Welfare Activities

### Cement Purchased by Government for Building Roads



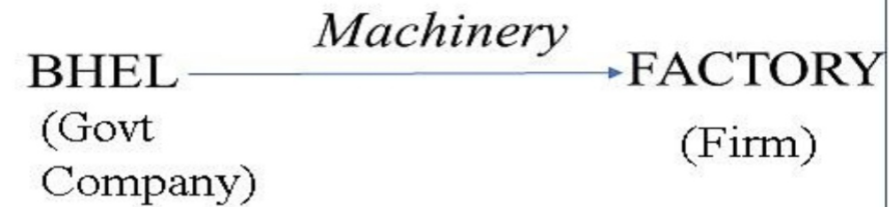
### Many Employees also work in Govt Departments



**teachoo**

## Example 2 Production Activities of Government

Goods Company BHEL provides heavy machinery to Private Sector Factories to Firms





## Goods Received from External Sector

### Import of Goods →

(Indian Actor Purchases Electric Car  
from Tesla USA)



**Import  
of Car**

Tesla, USA  
(External  
Sector)

Indian  
Customer  
(Household)

## Example 5 Goods/Services Provided to External Sector

### Export of Service

Indian Actor Priyanka Chopra  
works in Hollywood Movie



**Provides**

**Service**

Indian  
Actor  
(House  
hold)

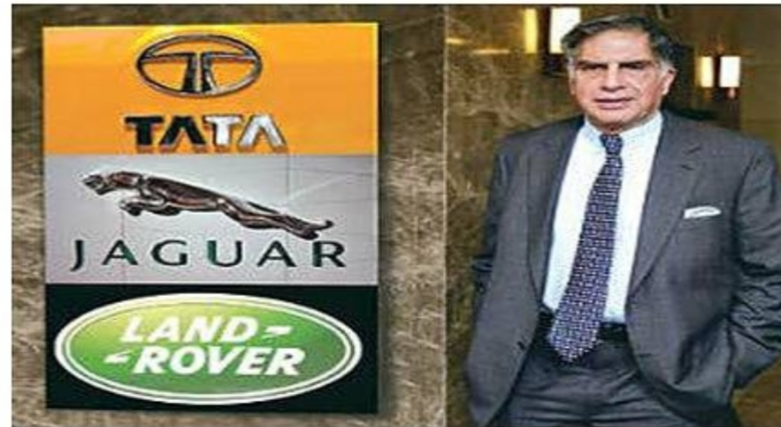
Hollywood  
Movie  
(External  
Sector)

## Example 6

### Goods/Services Provided to External Sector

#### Investment Made

Tata Motors India purchases  
shares in Jaguar, Britain



Tata India *Funds* → Jaguar, Britain  
(External Sector)



## Sale of Goods and Service from Firm to Household

Shopkeeper sells goods to Customer



**FIRM** *Sell goods* **HOUSEHOLD**  
Shop → Customer

An advocate firm gives consultancy to a Client



**FIRM** *Legal Service* **HOUSEHOLD**  
Advocate → Client

## Example 3 Investment Received from External Sector

**Investment →**

US Venture Capitalist gives funding to Indian Startup



Foreign Investor (External Sector) *Funds* → Indian Start-up (Firm)

# TYPES OF ECONOMY



## Socialist Economy

Here  
Production  
Activities  
are carried out  
by Government  
Companies

## Capitalist Economy

Here  
Production  
Activities  
are carried out  
by Capitalist  
Entrepreneurs

# Types of Economy



## Socialist Economy

Production Activities are carried out by Government

### Govt Decides

1. What to produce
2. How to Produce
3. For Whom to produce  
as per  
Needs of Society

It is also called  
Centrally Planned Economy

This is not covered in  
Class 12 syllabus

## Capitalist Economy

Production Activities are carried out by Capitalist Entrepreneurs

### Market Decides

- What to produce
- How to Produce
- For Whom to produce  
as per  
Forces of Demand and Supply

It is also called  
Market Economy

This is covered in  
Class 12 syllabus





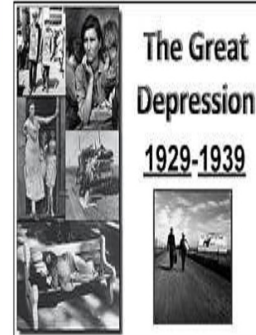
## Economic Depression

Economic  
Activities

Decline or  
Downturn

Economic Depression  
Is Decline in Economic  
Activities over long  
period of time

### Examples





# Causes of The Great Depression Of 1929

