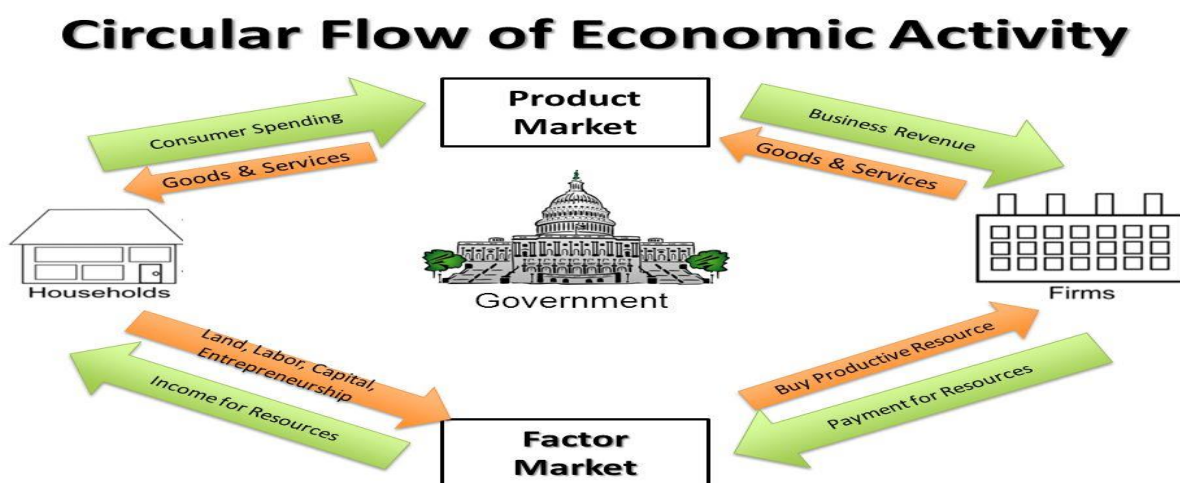


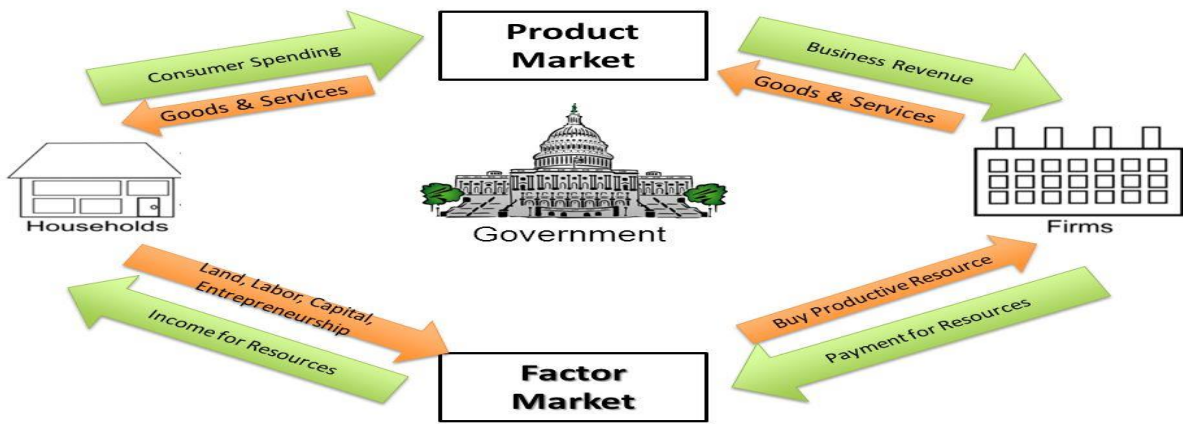
Define micro & macro Economics.

Ans. Micro Economics word is derived from Greek word Mikros, which means small. Macro Economics is derived from Greek word Makros which means large. Microeconomic the only studies the economic behavior of individual decision making unit such as individual consumers, resource owners and business firms and the operation of individual markets in a free enterprise economy. This is to be contrasted with macroeconomic theory, which studies (a) the total or aggregate level of output and national income and (b) the level of national employment, consumption, investment and prices for the economy viewed as a whole both micro economics and macro economics provide very useful tools of analysis and both are important while macro economics often makes the headlines, microeconomics attempts to explain some of the most important economic and social problems of the day. These range from the high cost of energy to welfare programs, environment pollution, rent, control, minimum wages, safety regulations, rising medical costs, monopoly, discrimination, labour unions, wages and leisure, crime and punishment, taxation and subsidies and so on. Microeconomics focuses attention on two broad categories of economic units: households and business firms, and it examines the operation of two types of markets, the market for goods & services and the market for economic recourse. The interaction of households and business firms in the markets for goods & services and in the markets for economic resources represents the core of the free enterprise economic system. Specifically households own the labor, the capital, the land and the natural resources that business firms require to produce the goods and service households want business firms pay to households, wages, salaries, interest, rents and so on, for the services and resources that households provide. Household then use the income that they receive from business firms to purchase the goods and services produced by business firms. The income of households are the production costs of business firms. The expenditure of households are the receipts of business firms The so called circular flow of economic activity is complete.



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Circular Flow of Economic Activity



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