

# Key learnings from a microeconomics class for mba students

[Economics](#), [Microeconomics](#)



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BUSTER**

30. 11. 2012 Key learnings from Micro Economics module It was a very informative session and an eye opener. I was under the impression that economics only deals with fiscal and monetary policies. This was my first acquaintance with micro economics and it opened up a new perspective. I am in a position now to understand many events that happen every day around me. I am able to have a broad idea about how these events may have a direct or indirect impact on me as an individual (professionally as well as personally) and to an organisation.

Detailed below are a few (but not all) significant points that were new to me :  
Law of Demand & Supply : The quantity demanded of a good falls when the price rises and the quantity supplied of a good rises when the price rises. Price of a good adjusts to bring the quantity supplied and demanded into balance. Other determinants of consumers demand include income, price of substitutes, expectations etc. Any change in these factors shifts the demand curve. Equilibrium : A situation where market price is at a level at which supply and demand quantity equals.

Equilibrium of supply and demand maximizes the sum of consumer and producer surplus. Surplus : A situation in which supply is greater than demand Consumers' surplus : Buyers' willingness to pay for a good minus the amount the buyer actually pays for it. It measures benefit buyers gets by participating in a market. Producers' surplus : The amount sellers receive for their goods minus their costs of production. It measures benefit sellers get from participating in a market. Dead Weight Loss : The fall in total surplus that results from a market distortion. Marginal Utility :

Additional utility derived by consuming additional unit quantity of goods. Competitive markets : Prices in a perfectly competitive market always equal marginal cost of production. To maximise profit firms chooses output quantity such that marginal revenue equals marginal cost. A Monopolistically competitive market is characterized by attributes like many firms, differentiated products and free entry. Each firm in a monopolistically competitive market has excess capacity. There is standard deadweight loss of monopoly caused by the mark up of price over marginal cost.

The product differentiation inherent in monopolistic competition leads to the use of advertising and brand names. Oligopoly is a market structure in which only a few sellers offer similar or identical products. Above concepts also clarified how Marginal cost, Sunk cost, Average Cost, Variable cost and Fixed cost help in determining sustainability of doing business and how they help in arriving at decisions like “ maximize profit” or “ continue to produce to cover costs”. Concepts of monopolistic and perfect competition along with examples covered in the class were apt for digesting the underlying principles.

It also helped to understand how political/governmental interferences balances or imbalances the market forces and thus effecting the price and/or consumers’ and producers’ behaviour. PriceDiscrimination(PD) : Important concept on types of price discrimination used by various industries and businesses were interesting to know. I am a consumer of discriminated prices since birth however, never realized that I am a victim or beneficiary of the same. How business use it to their advantage. Concepts of types of PD

and their application was an eye opener and gave me a new perspective to look at the market competition in a different way.

Others : Prisoner's Dilemma and Rivalry in Consumption, never heard off but fun to understand. How externalities (positive or negative) influence producers. Tragedy of common and enclosure movement were also unknown but not any longer. In conclusion : I have been thru' above every day of my life but was never able to understand it the way I am able to do it now. Biggest surprise of all to me was that the underlying theme of all these is Microeconomics. And, I thought Economics is one field and was unaware of micro and macro.