

# [Micro and macro economics](https://assignbuster.com/micro-and-macro-economics/)

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HERE YOUR HERE HERE HERE Micro and Macro Economics Economics is studying the of the world and why it operatesin the fashion that it does. It is a study of how firms make decisions about their work, consumer-related consumption patterns, how investment occurs, and about the pricing of products and services. Economics is about understanding how the costs of virtually everything, including consumer products and the costs associated with decision-making, such as opportunity costs. Economics studies the relationship between market investments, interest rates, and other general finance issues as it pertains to a local economy or international economies and how all of these areas function or work together. Economics considers resource availability, such as land and capital as well as factors of production.
An economic model serves as an analysis of financial considerations. Economic models are theoretical constructs using charts, graphs, or other mathematical analysis tools to better understand how to make financial, business, or investment decisions. Such models consider many different variables, such as consumption and consumer incomes, to assist businesses in forecasting production or pricing their products; as one example. Government uses economic models to plan logistics or even create economic policy (or monetary policy) based on observable trends in the economy or environment. It can include accounting modeling to measure credits or debits in industry, or even scenario planning to guide executive decision-making related to finance and capital investment.
Microeconomics involves the study of economics as it pertains to the individual. It involves studying firm finance and resources, individual consumer finance and activities, and the worker related to their productivity or income allocation. As one example, microeconomics would measure the relationship between household income and the volume of products consumed, such as household budgeting planning and banking needs.
Macroeconomics is more in-depth and measures the whole of an economy. It would consider all consumers related to a national economy. Issues of consumer supply and demand, related to price setting, would be an example of macroeconomic study. For government, it might also measure the income capacity of many different urban regions to determine what area of the country would be best served for investment in infrastructure projects.
Normative economics measures what should be, while positive economics studies what actually is. Normative economics is subjective and is based on value judgments related to certain economic trends. For example, the government might offer that bread should be priced at five dollars in order to provide grain farmers with a better quality of living. Normative economics might make this statement and then plan a new pricing structure for bread to see if it has beneficial outcomes. Positive economics, on the other hand, would look at the economics of bread pricing, witness its current price of about two dollars, and then compare real-time data over a specific period to understand why the actual price of bread is two dollars. It is about making positive judgments that are based on hard, quantitative data about actual pricing trends. Both are valuable tools in creating economic direction related to desired or actual variables in the real-world economy.