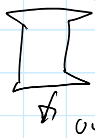
Tuesday, August 16, 2016 8:55 AM

<u>MICROECONOMICS</u> : A STUDY OF HOW HOUSEHOLDS AND FIRMS MAKE DECISIONS.

HOUSEHOLD → PURCHASE DECISION

FIRM → OUTPUT DECISION

← LANDS, LABOR, CAPITAL, ENTREPRENEURSHIP SKILL

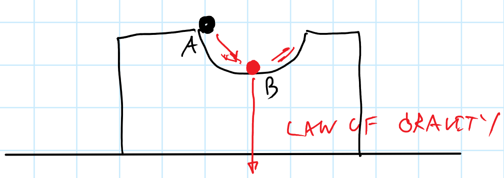


OUTPUTS (FOODS, MEDICINE, FURNITURES ETC.)

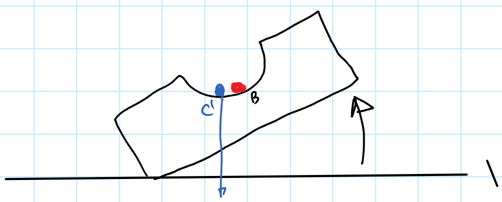
<u>TOOLS USED IN MICROECONOMICS</u> (3)

① <u>EQUILIBRIUM ANALYSIS</u>

EQUILIBRIUM :	A STATE OR CONDITION THAT WOULD CONTINUE INDEFINITELY AS LONG AS NO OUTSIDE FACTORS UPSET THE EQUILIBRIUM.

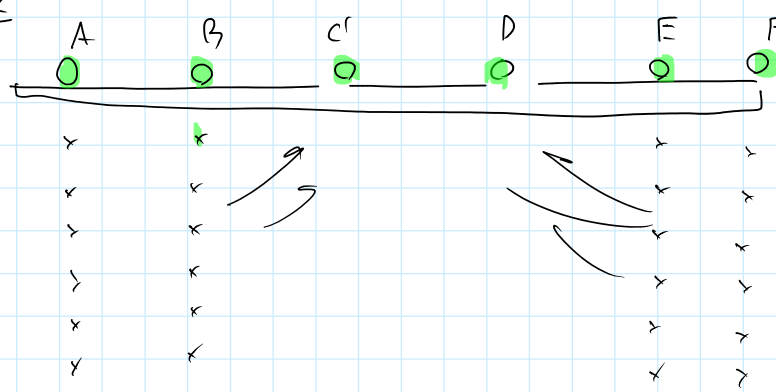


A BALL AT POINT B IS IN "<u>AN EQUILIBRIUM</u>" (WHY?)

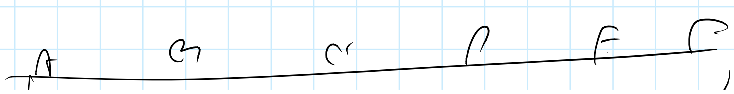


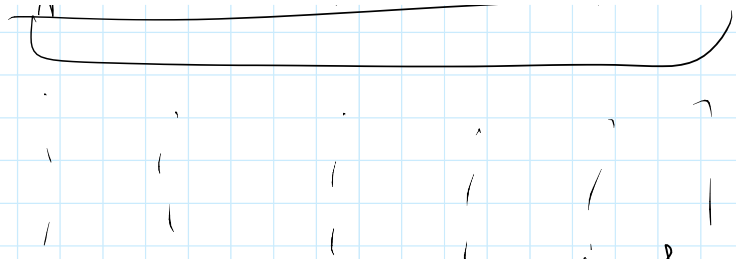
- A BALL AT POINT B IS "NO LONGER" IN AN EQUILIBRIUM.
- A BALL AT POINT C' IS "IN AN EQUILIBRIUM".

<u>EXAMPLE 2</u>

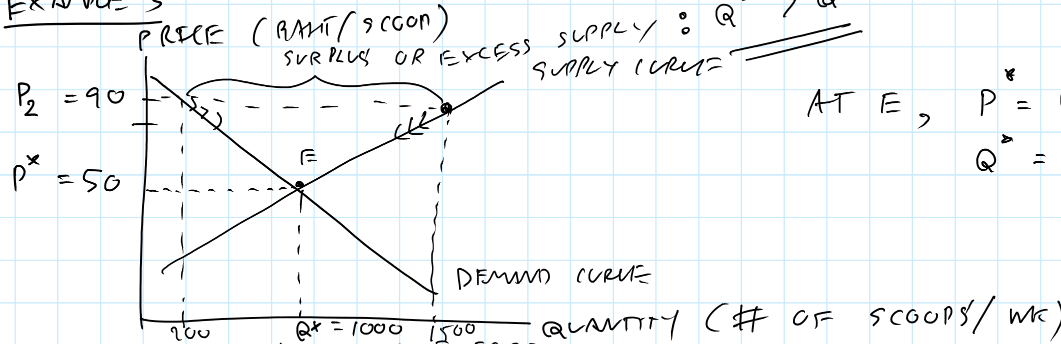


PASSPORT CONTROL AT AN AIRPORT





EXAMPLE 3



A MARKET FOR ICECREAM

AT E, $P^* = 50$ BAHT/SCOOP

$Q^* = 1000$ SCOOPS/WK