MICRO ECONOMICS-STUDY OF INDIVIDUAL BEHAVIOUR

The essay demonstrates the concept of macroeconomics by considering the individual's action and reaction in the economy. Economics is a social science, which has two major aspects- micro and macro. Macroeconomics considers the large-scale economics factors whereas the macroeconomic manipulates each individual's actions in the present economic situation. In this essay, the tourism sector of Australia is taken into account to process the discussion about the individual behaviour as a macroeconomic attribute.

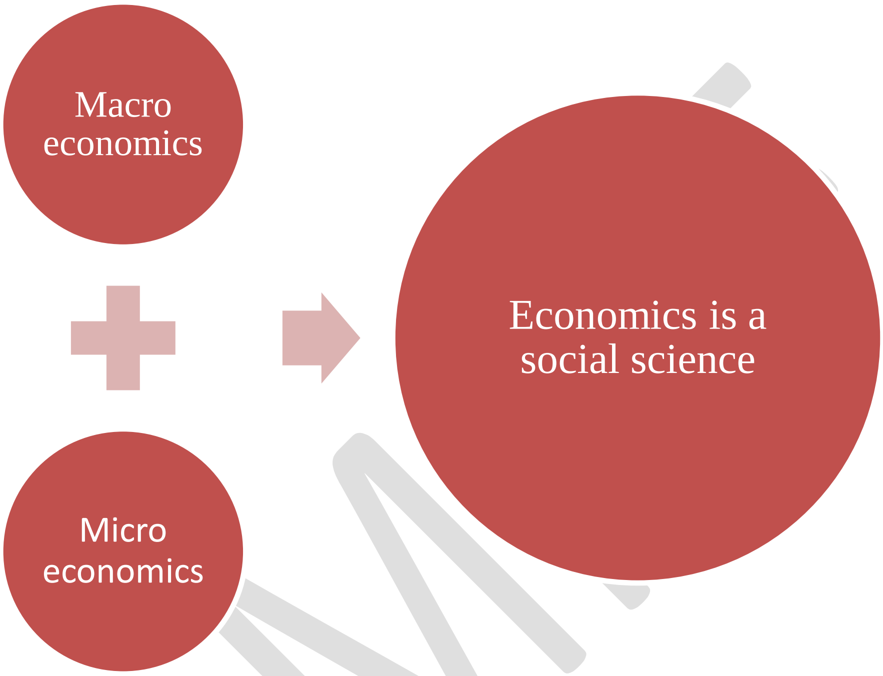

Figure 1: Model of Economics

(Source: Gribble & Blackmore, 2012)

Each sector of the economy is dominated by the macro and micro economic variables and tourism is not the exception. In these context individuals, behaviour regarding the choice and preference determine the sales and profitability of that particular sector (Prebežac, Schot & Sheldon, 2016). Apart from that, the theory of individual behaviour focuses on the individual consumer to measure their utility level while they are choosing any service or products. The utility is nothing but the satisfaction level of consumer. It is a common phenomenon, which defines the demand of a good or services in a particular point of time (Gribble & Blackmore, 2012). Since the utility level of the individuals cannot be measured, so the objective of the macroeconomics is to optimise the utility level of each consumer. Apart from that, it is hardly possible to consider each individual's test and preferences while one considers the demand of a particular good and services.

As the individual behaviour successively based on their income level, the price of the respective good and the given preferences so to derive the demand curve it is sufficient to have these three attributes in the macroeconomic analysis (Moodie & Wheelahan, 2012). Considering the tourism sector the main objective of the essay is to analysis the entire demand of the tourism industry in Australia. In order to identify the demand of a particular region of the country, it is required to analysis the income structure of the people lived in that region. The income level of individuals plays a role of the major independent variable to an analysis of the demand (Grealish, 2012).

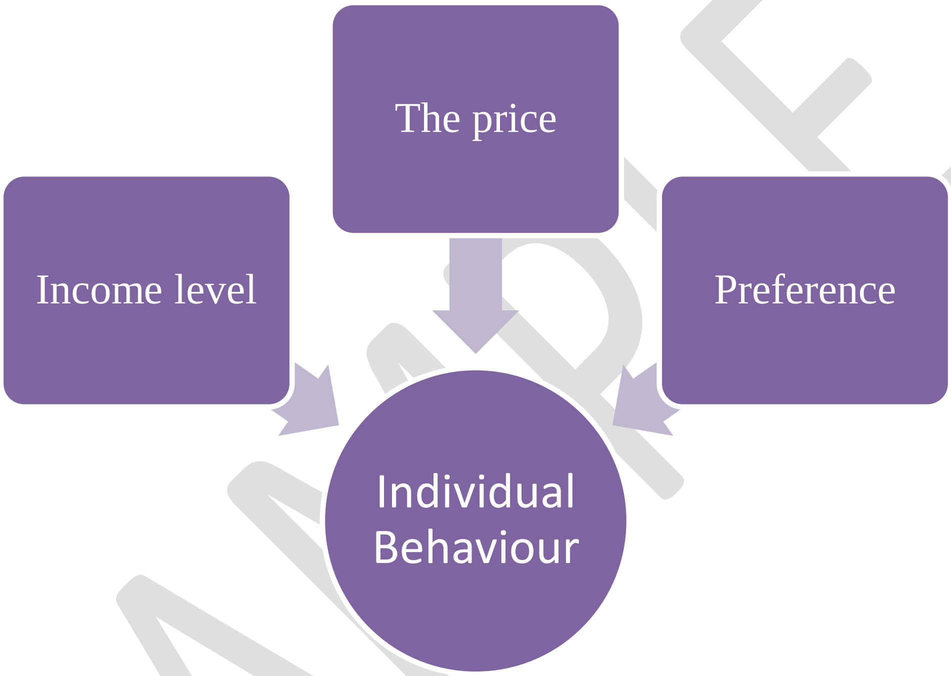

Figure 1: Individual Behaviour

(Source: Moodie & Wheelahan, 2012)

In order to evaluate the budget constraint the income level and the amount that the individual is willing to bear in organise a tour will be considered as the crucial part whereas, the test and preferences come after these two major variables (McShane, 2012). According to the consumer behaviour theory, an individual will interest to by the tourism services merely, when the utility gained by the services is higher than the utility gained from the money he or she earned (Quiggin, 2013). If it happens, the utility from the money is greater than the utility gained from the service then the consumer will not attend the service anymore and save the money for another use.

Moreover, as tourism is a type o luxury service so the consumers will consider it when they subtract the amount they have paid for the necessary good. However, there are certain basic differences between the luxury and necessary goods but it should be noted that the utility level gained from the luxury goods and services is always greater than the utility gained from the necessary goods (Prebežac, Schott & Sheldon, 2016). Therefore, the individuals are tending to spend more money for the luxury services. It is a valuable analysis that economist Slutsky has done over the consumer behaviour.

Every market has a tendency to get the equilibrium situation in a stipulated time. Virtually it can be said; equilibrium situation refers to that situation where the market demands to meet the market supply (Prebežac, Schott & Sheldon, 2016). Inflation, recession and any other nature calamities are considered as the crisis, which is having many impacts on the demand and supply of the products. On the other hand, the person who has decided to have a tour in the Queensland in the next month may be affected by any economic crisis or natural calamity. Often it happens that the consumer prefers more amounts of services than the fewer quality services it reveals that the consumer is happy to have a discount or any other consideration when they arrange a tour (Gribble & Blackmore, 2012). Consequently, it does not create any issue whether they are getting proper quality or not. This the assumption while considering the nature of the individuals in the macroeconomics.

Figure 1: Market Equilibrium

(Source: Quiggin, 2013)

Apart from that it often can see in the aged group people they are quite indifferent between two or more services. In the tourism sector, while income does not create any constraint consumers became indifferent to choose while they should go for Melbourne or Queensland (Moodie & Wheelahan, 2012). In this situation when the budget and the other consideration are remaining same, this approach is named as consumer preferences, which majorly influence the demand of the tourism sector.

The next approach is the substitution, by this approach; an individual consumer may able to change the choice or the preference by differencing the budget and income level (Grealish, 2012). In this approach, the marginal utility level of the consumer will remain same so the person will choose that place where it utility level is same with the utility level in the previous place. However, perfect substitutes and perfect complement derive two different aspects of the macroeconomics. The complementary approach considers two different types of services, which are perfect, complementary with each other. On the other hand, substitute approach considers two services, which are very close to each other (McShane, 2012).

Apart from all market, demand played a significant role to derive the price and equilibrium situation of the market. The market demand substantially depends on the individuals, choice and preferences whereas individuals' choice and preference depend on their utility level (Quiggin, 2013). Therefore, indirectly the market demands determined by the utility level of individual consumers. In order to discuss the market demand, it is necessary to discuss the elasticity while the market demand also depends on the elasticity of the price (Prebežac, Schott & Sheldon, 2016). Elasticity is the tool, which describes the relationship between two variables like price and demand. The economist takes into account the concept of elasticity to get the quality changes in the demand for the change in the price.

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