

PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC -

CONCEPT OF EQUILIBRIUM

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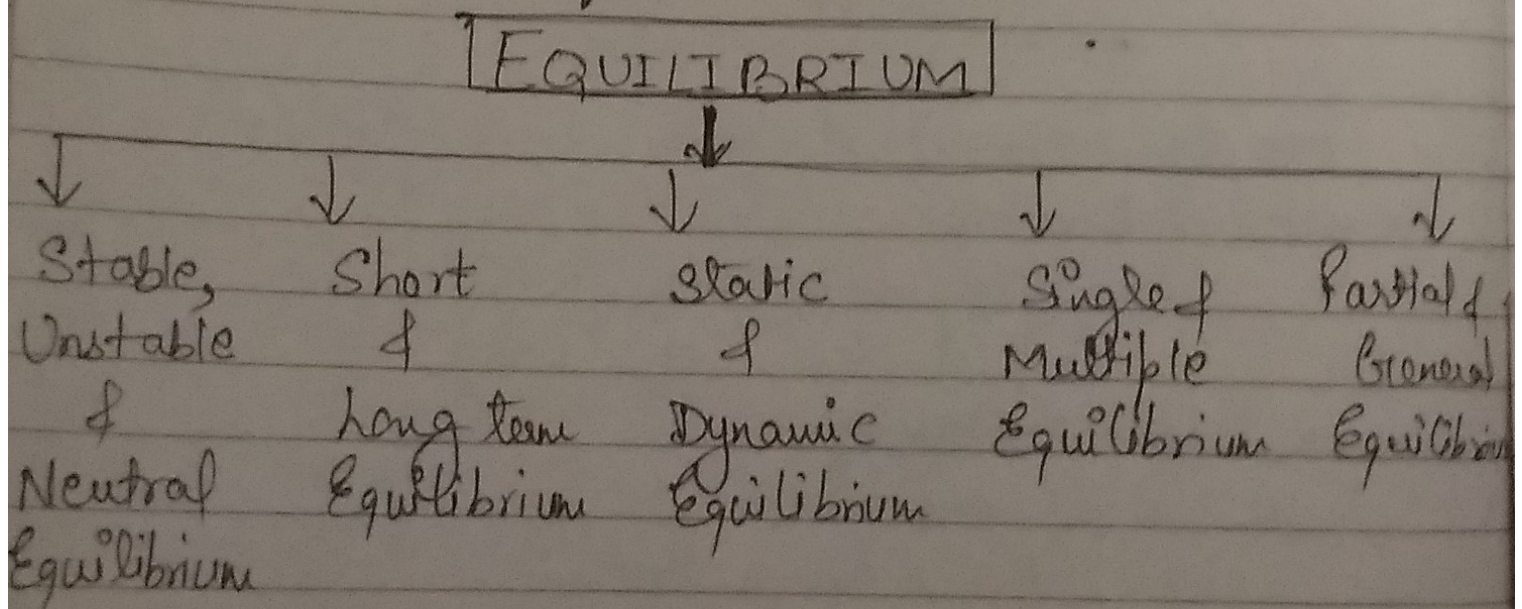
CONCEPT OF EQUILLIBRIUM

The term 'equilibrium' has often to be used in economic analysis, Equilibrium means a state of balance or a state of rest.

• Definitions of Equilibrium :-

- According to Stigler, "Equilibrium is a position from which there is no tendency to move".
- According to Prof. J. Mehta, "Equilibrium of economics denotes the absence of coverage in movement".
- According to Prof. Hensan, "Equilibrium is a situation in which economic forces as they exist at the time have no tendency to change".

• Classification of Equilibrium :-



(A) Stable, Unstable and Neutral Equilibrium:-

- **Stable Equilibrium** - There is a tendency for the object to revert to the old position.
- **Unstable Equilibrium** - There is a tendency for the object to assume newer and newer position once there is departure from the original position.
- **Neutral Equilibrium** - It is neutral because when the disturbing forces neither bring it back to the original position nor they drive it further away from it.

(B) Short term and Long term Equilibrium:-

- **Short term equilibrium** - Time available to producers to adjust the supply to the demand is short. Even in the short run equilibrium takes place. With the existing means of production, supply is adjusted to the changes in demand.
- **Long term Equilibrium** - Time available to producer to adjust the supply to the demand is quite adequate. The supply can be adjusted to change in demand by varying the means of production.

(C) Static and Dynamic Equilibrium -

- static equilibrium - static equilibrium relates to equilibrium of a static or stationary economy.
- Dynamic equilibrium - It is opposite to static equilibrium as dynamic equilibrium relates to a progressive economy.

(D) Single and Multiple Equilibrium -

- A position of unique equilibrium arises if there is a single set of prices and quantities which fulfil the conditions of equilibrium.
- Multiple positions of equilibrium exist when several different sets of prices and quantities will meet the equilibrium conditions.

(E) Partial and General Equilibrium -

- Partial Equilibrium - It is the analysis of one or several partial groups of the economic units corresponding to a particular set of data.
- General Equilibrium - General equilibrium is concerned with multiplicity of variables.