

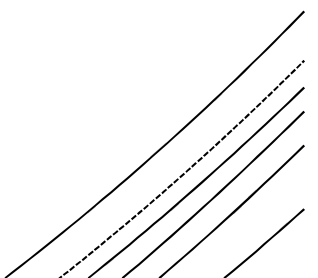
# What is Economics?

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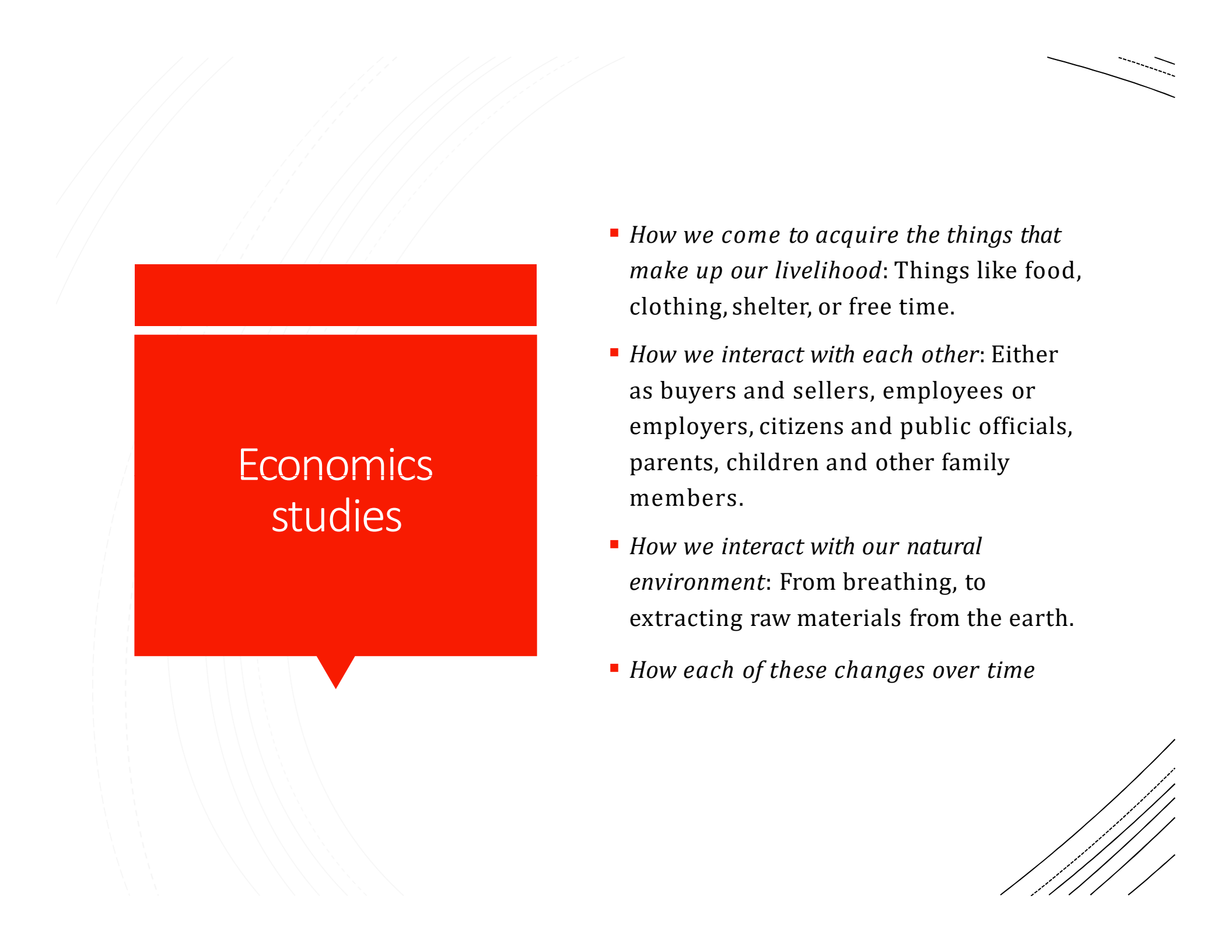


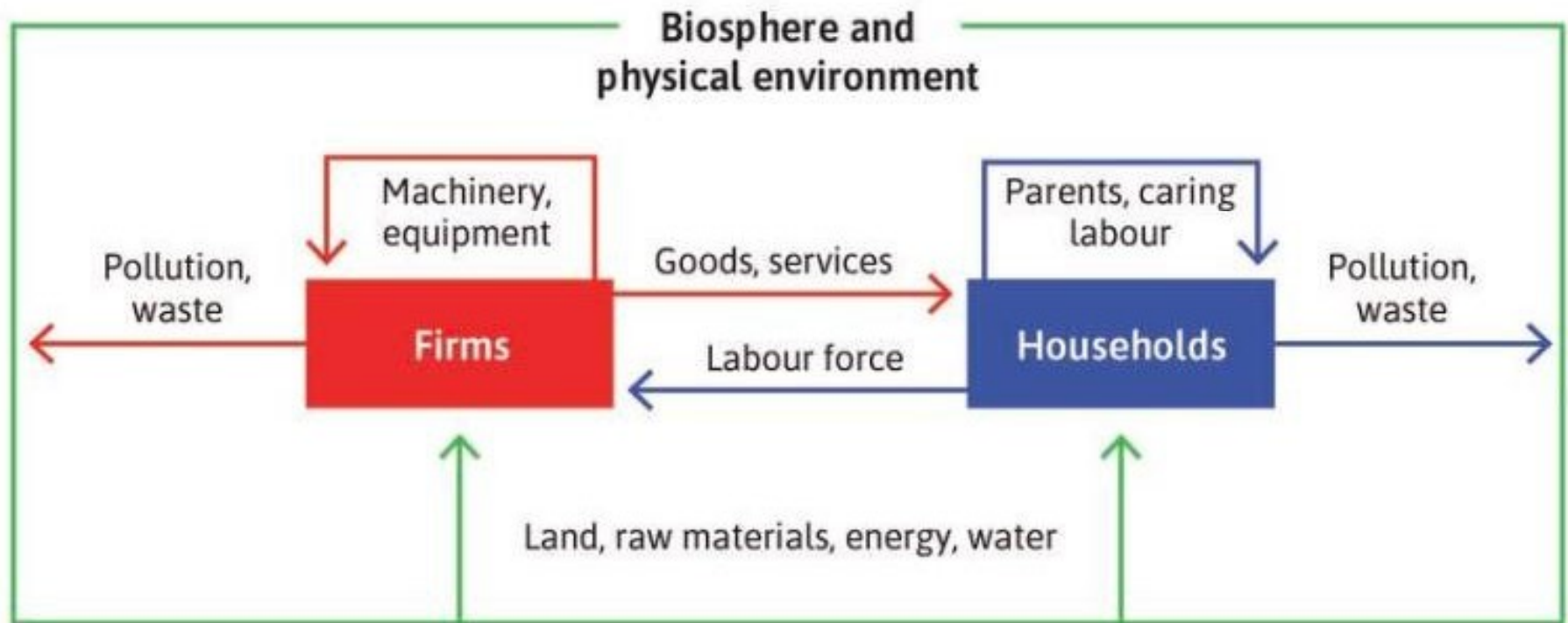
# Definition

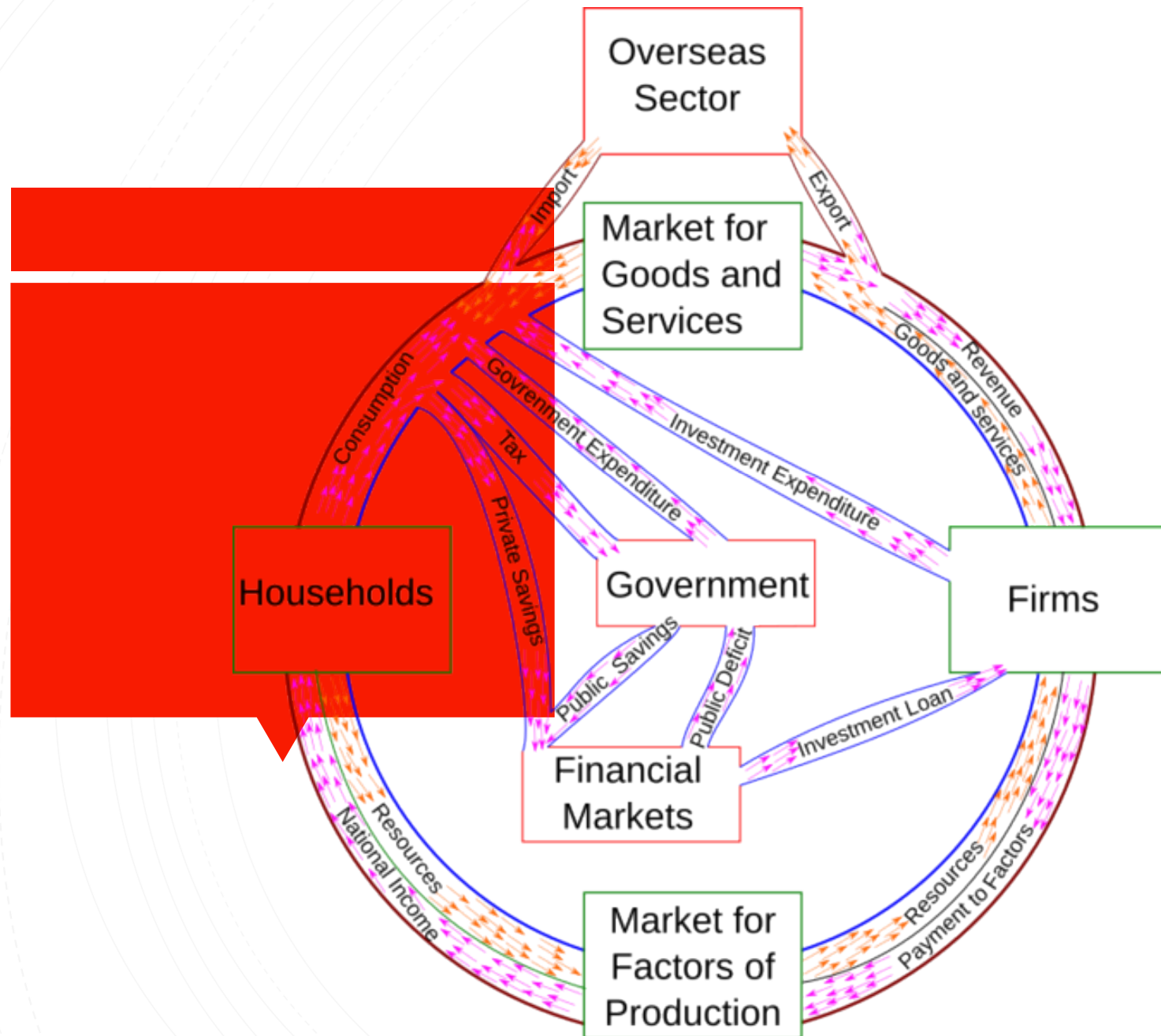
- Adam Smith (1776)
    - An Enquiry into the nature and causes of wealth
  - Lionel Robbins (1932)
    - Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses
  - Core Project
    - Economics is a way of understanding that economy, based on facts, concepts and models.
    - Economics is the study of how people interact with each other, and with the natural environment, in producing their livelihoods.
- 



## Economics studies

- *How we come to acquire the things that make up our livelihood:* Things like food, clothing, shelter, or free time.
  - *How we interact with each other:* Either as buyers and sellers, employees or employers, citizens and public officials, parents, children and other family members.
  - *How we interact with our natural environment:* From breathing, to extracting raw materials from the earth.
  - *How each of these changes over time*
- 







- Price (law of demand and supply)
- Inflation (Types, causes, how to control inflation, monetary policy, fiscal policy)
- Role of government
- Budget (Sources of revenue and expenditure), Union, State, local
- Balance of payment (export, import, exchange rate)
- Stock market
- Types of market
- Types of economies



# Branches of Economics

- **Micro**
  - Individual behaviour
- **Macro**
  - Aggregate Picture
- **Growth and development**
  - Why are some nations richer than others?
- **Public Finance**
  - Sources of revenue and expenditure of the government; taxes, non-tax revenue, allocation of resources
- **Monetary Economics**
  - Money market, capital market, international money market,
- **Environmental Economics**
  - Environmental problems, how to control these problems, Sustainable development ecological issues, natural resources



# Branches of Economics

- Economics of Social sector
  - Education, health
- Law and Economics
  - How law influences economy
- Institutional Economics
  - How social and institutional factors influence economy
- Mathematical Economics
  - How to apply mathematics in economics
- Econometrics
  - Use of statistics and econometrics in economics
- Industrial Economics
  - Industrial clusters, determinants
- Agriculture Economics
  - Price determination of agricultural products, forward and backward linkages

# Micro Vs. Macro Economics

## MICRO ECONOMICS

- Deals with individual behaviour
- Consumer behaviour (utility maximisation)
- Producer behaviour (profit maximisation)
- Single commodity price determination
- Optional quantity of output production
- Equilibrium prices of factors of production
- Quantity of factors of production

## MACRO ECONOMICS

- Deals with macro picture or aggregate picture
- However summation of micro is not macro
- Aggregate output (GDP/GNP/GVA)
- Aggregate employment
- General price level (inflation/deflation)
- Monetary policy
- Fiscal Policy
- Balance of payment



## Fallacy of Composition

The **fallacy of composition** arises when an individual assumes something is true of the whole just because it is true of some part of the whole.

**Paradox of Saving** also known as **paradox of thrift**