

What is Economics?

Bibhunandini Das

Associate Professor

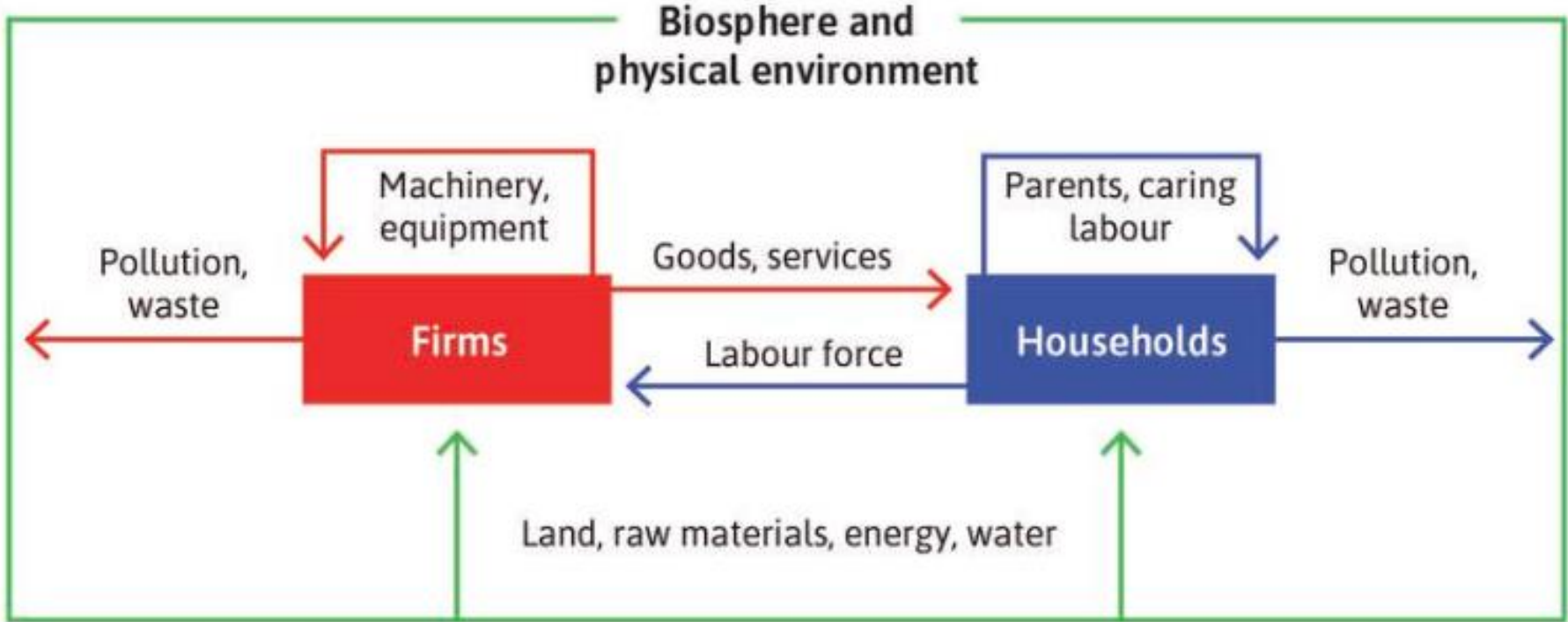
bibhunandini.das@cutm.ac.in

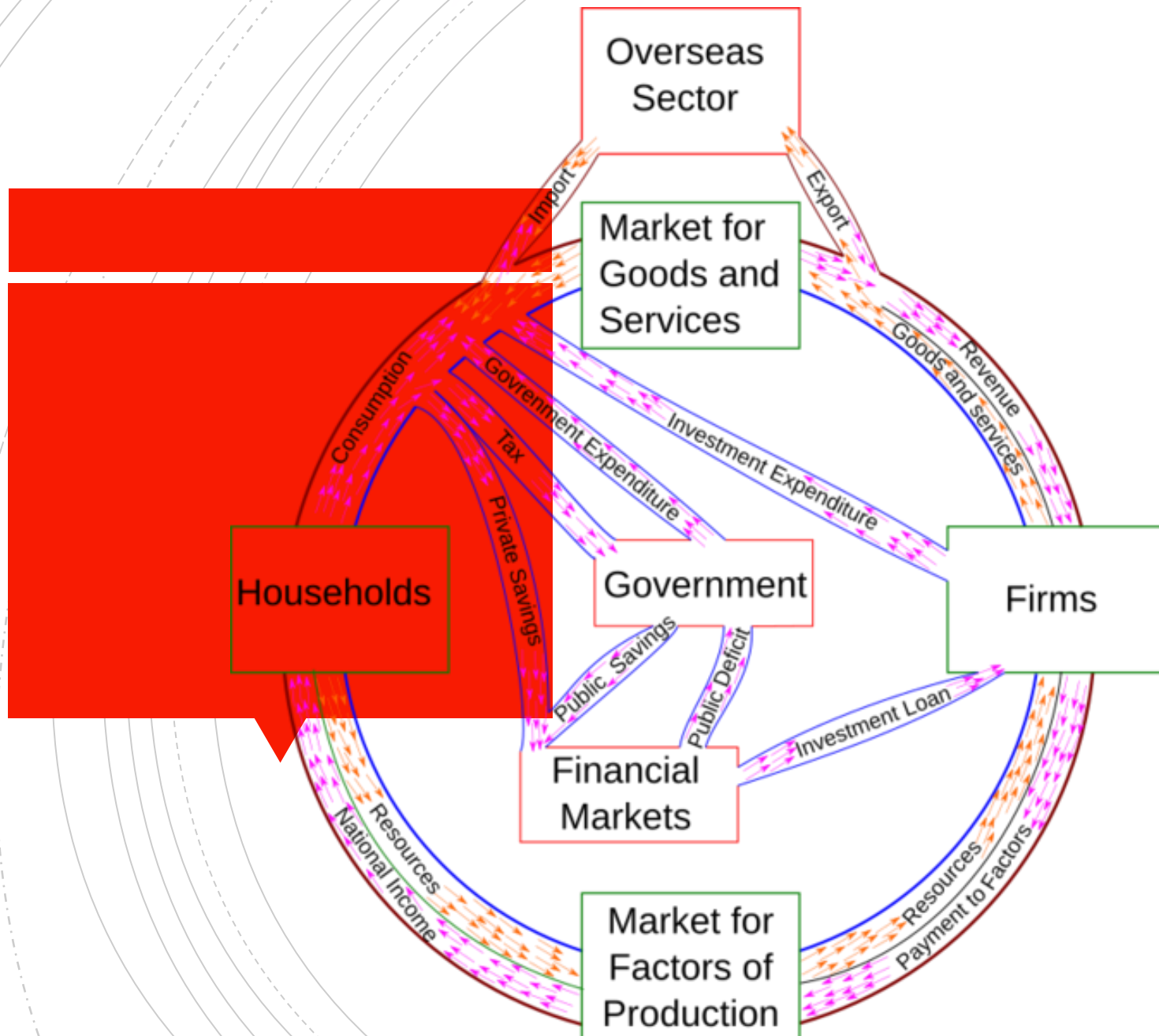
Definition

- **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**