

## What is Economics?

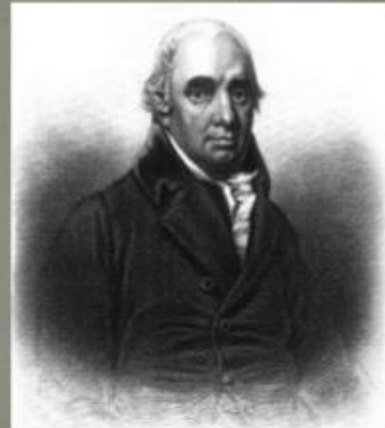
- Several economists have defined economics taking different aspects into account. The word 'Economics' was derived from two Greek words, oikos(a house) and nemein(to manage) which would mean 'managing an household' using the limited funds available, in the most satisfactory manner possible.
- **“Economics is a study of the ways in which people use resources to satisfy their wants”.**

## Definitions of economics by Economists.

Adam Smith (1723 - 1790),

**Father of Economics**

- Book “An Inquiry into Nature and Causes of Wealth of Nations” (1776) .
- Defined economics as the practical science of production and distribution of wealth.



Alfred Marshall (1842 - 1924) wrote a book "Principles of Economics" (1890)

- Welfare definition
- defined "Political Economy" or Economics is a study of mankind in the ordinary business of life;
- it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well being".

▫ Lionel Robbins (Scarcity definition)

- book "An Essay on the Nature and Significance of Economic Science" in 1932.
- According to him, "economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses"
- Ends – human wants
- Means – resources with which wants are fulfilled

- Based on all these definition,Economics can be defined as:
- **“Economics is the social science that examine how people choose to use limited or scare resources I attempting to satisfy their unlimited wants.”**

## SCOPE OF ECONOMICS

- Microeconomics
- Macroeconomics
- International economics
- Development economics
- Environmental economics
- Urban and rural economics

## Microeconomics

- This is considered to be the basic economics.
- Microeconomics may be defined as that branch of economic analysis which studies the economic behavior of the individual unit, may be a person, a particular household, or a particular firm.
- It is a study of one particular unit rather than all the units combined together.
- microeconomics is also described as price and value theory, the theory of the household, the firm and the industry. Most production and welfare theories are of the microeconomics variety.

## Macroeconomics

- Macroeconomics may be defined as that branch of economic analysis which studies behavior of not one particular unit, but of all the units combined together.
- Macroeconomics is a study in cumulative. Hence it is often called Aggregative Economics.

## International Economics

- As the countries of the modern world are realizing the significance of trade with other countries, the role of international economics is getting more and more significant now a days.

## Development Economics

- As after the second world war many countries got freedom, their economics required different treatment for growth and development.
- This branch developed as development economics.

## Environmental Economics

- Unchecked emphasis on economic growth without caring for natural resources and ecological balance, now, economic growth is facing a new challenge from the environmental side.
- Therefore, Environmental Economics has emerged as one of the major branches of economics that is considered significant for sustainable development.

## Urban and Rural Economics

- ❖ Role of location is quite important for economic ability.
- ❖ There is also much debate on urban-rural divide.
- ❖ Therefore, economists have realized that there should be specific focus on urban areas and rural areas.
- ❖ Therefore, there is expansion of branches like urban economics and rural economics.

## Difference between micro and macro economic

Micro Economics	Macro Economics
1. It studies the individual unit.	1. It studies the whole economy or large groups.
2. Laws related to Marginal analysis are included in its scope.	2. Problems related to whole economy like employment, public finance, national income etc. are included in its scope
3. Micro Economics provides the information relating to the individual prices, individual consumption and production.	3. Macroeconomics provides the information relating to National Income, total output, total consumption and general price level
4. Micro economics analysis is simple	4. Macroeconomics is complex due to the study of large groups.
5. Micro economics particularly focus on price analysis.	5. Macro Economics particularly focus on income analysis
6. Micro economics studies individual problems and it is less important for comparative study	6. Macroeconomics studies the problems relating to the economy and its importance is growing.