

There are two approaches regarding the Subject Matter of Economics -!

- 1) Traditional approach
- 2) Modern approach

Traditional Approach:-

- a) Consumption
- b) Production
- c) Exchange
- d) distribution
- e) Public finance

Consumption -:
Consumption is the first branch of economics. Purchase of Produced goods and services by individuals for immediate use constitute consumption. Consumption characterizes the economic system the country currently operates it.

Production -:
Production becomes the second important branch of economics. Under the Production we study how the four main factors (land, labour, capital, organisation)

Exchange -:
Exchange is the third branch of

of economic exchange takes place among citizens of the country.

d) Distribution -!

In distribution we learn how the rewards of the factors of production are determined. Production is the use of land, labour, capital, organisation.

e) Public finance -!

In public finance we study the method by which a state raises its revenue.

2) Modern Approach -!

Modern approach divided in two main parts Micro and Macro economics. The terms are used by Rongar Ragnar Frisch 1983.

a) Micro economics

b) Macro economics

a) Micro economics -!

The term 'Micro' has been derived from the Greek word 'Mikros' which means small. It generally applies to markets of goods and services and deals with individual and economic issues.

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It does not study of the economy as a whole. Micro economics is the study of a Particular firm, Particular household, individual Price, wages, income and industry.

Importance of Micro economics -:

- Helpful in Resource allocation.
- Helpful in Policy formulation
- Basis of economy as a whole
- Helpful in Product Pricing, factor Pricing.
- Helpful in economic welfare
- Helpful in theory of demand.

Macro economics -:

Macro has been derived from the Greek word "MAKROS" which means large. So Macro economics is that branch of economics which deals with economy as a whole. Economics that studies how an overall economy dealing with the performance, structure, behaviour and decision-making of an economy as a whole. Its main instrument are aggregate demand and aggregate supply of the whole economy.

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Importance of Macro economics - :

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- Study of National Income
- Solution of economic problems
- Study of economic fluctuations
- International comparison
- Indispensable of economic policies

Difference between Micro and Macro economics - :

<u>Q</u> Micro economics	Macro econo
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