

# Economics Chapter-1

## Importance of Macro economics -

- a) Study of National income
- b) Solution of economic problems
- c) Study of economic fluctuations
- d) International comparison
- e) indispensable of economic Policies

## Difference between Micro and Macro economics -

<u>Basis</u>	<u>Micro economics</u>	<u>Macro economics</u>
1) Derived	The term Micro has been derived from the Greek word Mikros.	Macro has been derived from the word Greek word Makros.
2) theory	It is called Price theory	It is called General level of Price
3) Relation	Related to theory of demand, theory of Production,	Related to theories of income and employment

Price theory etc.

theory of Money  
theory of General  
Price level.

Its Scope is narrow

Its Scope is wide

5) ~~uses~~

5) ~~uses~~  
Micro economics also uses aggregates but not in a context which relates them to an economy wide total.

1  
Macro economics also uses aggregates than the whole economy but only in a context which relates them, subdivisions in an economy - wide to

6) Study Micro economics is the study of particular firms, particular households, individual prices, wages, income, and particular commodities.

Macro economics is the study of overall economy dealing with the performance, structure, behaviour and decision making.

## Relationship between Micro and Macro economics -!

Micro economics and Macro economics are two opposite but these two branches of economics are not entirely different. Because the aggregate economy is made of small economy. It depends upon the individual demands of different house holds. Micro variables depend on the behaviour of Macro variables.

example → Wage rate in a particular industry will be influenced by overall wage rate in the economy.

### Limitation of Macro Micro economics:-

- a) Based on unrealistic Assumptions
- b) Neglects the economy
- c) Neglects Macro Problem
- d) Narrow Study

## Limitation of Macro economics 4.3

Too Much Generalization

Neglects individual Consumers

Considers aggregates as Homogenous

unnecessary aggregate variable

Conceptual and Statistical complexities -

Economics as a Positive or Normative Science -!

## ECONOMICS AS A POSITIVE SCIENCE -:

Meaning

Economics is a social science. Positive mean what is, was or will be. Positive science implies that science which establishes relationship between cause and effect. It makes a critical analysis of the existing facts and draw conclusion with. India is a developing country as a price of a commodity falls, other things being equal its demand rises. The aim of economist is like that of a true scientist who formulates new hypothesis.

# Economics as a Normative Science

Normative economics is a part of economics. It not only explores and explains but also suggests ways to improve upon the existing facts of system. India must take steps to control her population. Income inequalities should be reduced. Normative economics include social choice theory, Cooperative game theory and Mechanism design.