

[Scope of Economics]

1. Study the consumer behaviour

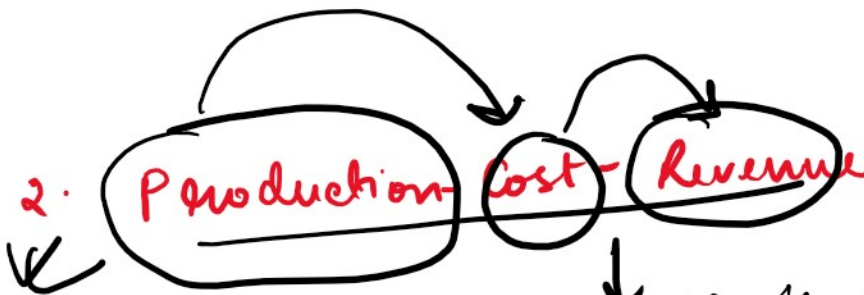


buyers and demand

(Demand): any wish or desire

↳ (in economics) → demand is (any wish or desire that can be fulfilled by our purchasing power.)

- 1. Ability to pay (Income)
- 2. Willingness to pay (Price)



↓ seller's point of view

Profit maximisation

$$\hookrightarrow \text{Profit}^{(\pi)} = TR - TC$$

$$\text{if } TR > TC \rightarrow \pi > 0$$

$$TR = TC \rightarrow \pi = 0$$

$$TR < TC \rightarrow \pi < 0 \text{ (Loss)}$$

3. Pricing of factors of production

ex: wages, rents etc

↳ Land, Labour, capital, raw materials
(these are inputs used in the production process)

4. Distribution and welfare

↓
distribution of goods among people
↳ distribution of income

5. Public Policy

6. Monetary Policy → RBI → fixing of rate of interest.
↳ and Banking.

Problem of economics →

unlimited demand
with limited resources.

→ Income inequality.

Microeconomics vs Macroeconomics

1. Studies the individual decision-making units.

2. It is a narrow concept of economics.

3. Aim at optimization of individual choices like maximisation of utility from consumption within the given income. or cost minimisation in production by a firm.

4. Determines prices of goods & factors of production through interaction of demand and supply. This is also known as price theory.

1. Studies the economy of a country or region.

2. It is a vast concept of micro-economics.

3. Aims at optimisation of national income like optimal tax and subsidy rates to maximise welfare and growth.

4. Determines income level in the economy through the interaction of aggregate demand and aggregate supply. This is known as

5. We study consumer behaviour, market analysis, study of the firms - factor pricing, distribution and welfare come under the ~~microeconomic~~ microeconomic concepts

aggregating up
This is known as income theory.

5. Growth, development, inflation, international trade etc. under macroeconomic concepts.

Different branches of economics:

1. Health economics → The health sector involves a number of economic dimensions like cost of health service, the pricing of the services, income of medical personnel, government's health allocation to provide medical facilities to the poor.

2. Environmental Economics:

Environmental degradation occurs mainly production, consumption and

Environmental degradation

due to the production, consumption and disposal activities of humans. To address the problem the government imposes taxes on environmentally harmful activities and offers subsidies for activities which improve the environment.

3. Development Economics

↓
very important branch of economics that studies human development in its various dimensions.

4. International Economics:

↓
trade, foreign affairs, trade treaties, export, import.

5.

Monetary Economics

banking, money, capital market, foreign exchange etc.

↳ branch of

6:

Econometrics:

etc.

This branch of study is widely applicable in economic research. It mainly studies the application of statistics into economics.

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