

PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC -

Meaning of Economic Statics

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* ECONOMIC STATICS

The Economic problems are studied under the two condition -

- (I) Economic statics
- (II) Economic Dynamics

But in this we shall discuss only Economic statics. The word 'statics' is derived from the greek word 'statike' meaning 'stand still'. Economic statics does not imply absence of movement but it denotes a state in which there is a continuous, regular, certain and constant movement without change.

Economic statics refers to that types of analysis where we establish the functional relationship between two variable whose value relates to the same point of time.

Acc. to Harrod, "An economy in which rates of output are constant is called static."

thus, static analysis being a timeless analysis assumes instantaneous adjustment of the indices.

According to Hicks, "I call economic statics those parts of economic theory where we do not trouble about dating."

Clark maintains that a static state is characterised by the absence of five kinds of changes -

- (a) the size of population.
- (b) the supply of capital.
- (c) the method of production.
- (d) the forms of business organisation and
- (e) the wants of people.

● Limitations of Economic statics :-

- ① Based on unrealistic assumption -
The assumption made in Economic statics is based on unrealistic in nature. Such assumptions are quite untenable in practice, and basing our analysis on them.
- ② Other things being same -
The method of statics is criticised on the ground that it assumes as constant what is variable in the practice.
- ③ Limited scope -
The serious limitation of the method of economic statics is that it is of no use in studying such important branches as economics of growth and business cycle which can be successfully tackled only through the method of economic dynamics.

• Importance of Economic statics :-

- ① Easy Economic analysis -
We can study the complex economic system with the help of this simplifying device by assuming several things as constant.
- ② Statics more important than Dynamic Analysis -
statics is much more important than dynamic partly because it is the ultimate destination that counts in most human affairs, and partly because the ultimate equilibrium strongly influences the time paths that are taken to reach it, whereas the reverse dynamic influence is much weaker.
- ③ Helpful in Investigation -
Because it studied individual consumers, individual objectives to solve the various social and economic problem.
- ④ To study comparative study -
The method of statics is called upon to study a changing process, it is referred as the method of comparative study which is based on Economic statics.