PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

$\boxed{\text{TOPIC}}$ - Definitions Of Economic Dynamics

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* ECONOMIC DYNAMICS

- Definitions of Economic Dynamics :-

① Acc. to Prof. J.R. Hicks, " I call economic statics those parts of economic theory where we do not trouble about dating. Economic dynamics consists of those parts where every quantity must be dated.

② According to Baumol, " Economic dynamics is the study of economic phenomena in relation to the preceding and succeeding events".

③ In the words of Prof. Stigler, " Economics is the study of the path by which a set of economic quantities (price and quantities) reach equillibrium".

- Limitations of Economic Dynamics :-

① Complicated method - It is a difficult and complex method of investigation not only because there is no 'ceteries porabus' but also the time element must be taken fully into account.

② Contradictory - Conclustion drawn on the basis of economic statics are contradictory.

(3) Absence of favourable conditions -
The theory of economic dynamics requires some fundamental conditions, which the economic data do not possess.

(4) Economic model - building - Modern economists have constructed economic dynamic models. Much theoretical of economic model is carried out by examining only the mathematical properties of solutions to a system of equation. So it is difficult for students to use of economic dynamics.

- Importance of Economic dynamics :-

(1) Traditional Economics -
Many principles and theories of traditional economics are based on dynamic analysis.
Ex :- Ricardo's theory of distribution, Marshall's time analysis etc.

(2) Realistic - Dynamics is more realistic and light - giving than statics.

(3) Study of stability of Equilibrium -
An analysis of the conditions for the stability of equilibrium can be studied.

(4) Theory of trade cycle - It is also proved to be an indispensable in the theory of trade cycle.