

PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC -

Characteristics of Economic Laws

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CHARACTERISTICS OF ECONOMIC LAWS

① Economic laws are hypothetical -
It is said to be hypothetical because its validity depend upon the fulfilment of certain conditions. It create relationship between economic variables. The validity of the economic laws depends on (a) the reliability of assumptions and (b) logical consistency between assumptions and the hypothesis. It has been alleged that economic laws are hypothetical as they are based on certain ceteris paribus assumption. But all scientific doctrines assume certain conditions and are in this sense hypothetical. It cannot be denied that economic laws are more hypothetical than the laws of natural sciences. Natural laws has more predictive power than the laws of natural sciences.

② Economic laws are indefinite and inexact -
Economic laws are not exact and precise as the natural sciences. Economic laws lack predictive ability. Economic laws are merely statistical probabilities. Economic laws explain qualitative aspect only but it does not have quantitative aspect. For example, law of demand only explain or states their is an inverse relationship between

quantitative demand and price but it does not explain if prices are reduced to its half, the demand would increase to its double. It states only direction, not the magnitude.

③ Economic laws are Relative :-
Laws are divided into two categories i.e., universal laws and relative laws. Economic laws such as the law of Demand or the law of diminishing Returns are universally applicable in all places and all times. whereas some economic laws are not applicable to everywhere for ex:- the laws pertaining to banking, money, currency, industry, business are relative laws.