B.Com (Hons) Part I
Sub: Principle of Economics.
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Q. How do you distinguish between Micro Economics and Macro Economics? Point out their inter-dependence.

Ans:

Micro economics is that branch of economic analysis which studies the behaviour of individual economic units, e.g. individual consumer, the individual producer, the individual worker, the individual employer, a particular household or particular firm. The enquiry as to how a certain procedure maximises his profits, or minimises his cost, or how an individual consumer maximises his satisfaction or how the price of a particular commodity is being fixed, all these situation is the area of Micro Economics. Under Micro studies, we take up a particular economic quantity, detach it from the rest of economic quantities and study it individually presuming that the behaviour of this quantity is not affected by the behaviour of other economic quantity.

On the other 'Micro Economics', is the branch of economic analysis, where the behaviour of not the individual economic units but the economic units in the aggregate, i.e all the economic units taken together from the subject matter of ~~economics~~ macro economic system as a whole. Thus we can define macro economics as that branch of economics which studies economic phenomena are independent to a complex degree — every economic activity effects the others and in turn affected by them — a single activity studied alone is likely to lead to misleading results.

Thus a correct analysis of any economic activity can not be made and the true implication can,t be understood except in the context of economy as a whole. Since in macro economics we study the aggregates like total national income, total employment or total production in the country. According to Boulding " Macro economics does not deal with the individual quantities as such, but the aggregates of these quantities, not with the individual incomes but with national income, not with individual prices, but with price level, not with individual output, but with the national output."

Now a days Macro economics has gained much popularity in the field of economic studies. This is because of the fact that macro economic studies are not only necessary, but they are absolutely indispensible for the formulation, implementation or execution of national economic ~~prices~~ policies. The days of economic liberation — when individuals were free to act in whatever manner they prefered — are no more now. All the governments whether they, follow capitalistic or socialist ideologies, have taken up, these days the responsibility of promoting social welfare.

Further, the study of macro economics has revealed that in many of the cases, the behaviour of individual economic units has been widely divergent from the behaviour of the aggregate quantities.

It is not possible to arrive at any accurate result about the behaviour of the group as a whole, just by studying about the behaviour of all ~~of~~ individuals of the group separately. At many times the economic phenomena changes from micro point of view, but many remain constant form macro point of view. For example, the populati of the country may remain the same, while the size of the individual families might be changing. Similarly total investment in the economy may remain the same, while the size of the indi-vidual families might be changing. This is what precisely, happens when some people by the old shares. The investment of those who buy old shares increases, while of those who ~~sale~~ sell decreases, over-all investment remains the same.

J. M. Keynes was one of those economists who drew pointed attention to the glaring mistakes which one is likely to commit in thinking about the economic problem in the micro way. How absurd certain conclusions would be ~~forms~~ from the micro angle can be explained by some examples, which have come to be known as paradoxes of micro economics. These paradoxes refer to those propositions which are true when applied to a single individual, but are not true when applied to the economic system as a whole.

Thus Micro and Macro the both views are inter dependent and first become the base of the next. ~~It~~ These occup an important role in our economy.

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