

## How Economics Works For Us In Our Daily Life?

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Is economics so simple that it works for us daily? We have seen in television channels and read in newspapers and magazines, the speech and analysis of economists whenever a budget is presented, telling us how share prices will be etc. In this article the author explains very lucidly how economics works in our daily life.

**Don't laugh at, we are all economists:** Economics works in our daily life, even if we are scientists, plumbers, teachers or doctors and techies. But someone (says a plumber) may laugh now when I say you are dealing in economics now. On the whole Economics is understood as a specialization of study and research and tool of developmental administration and is understood as different from our daily life experiences. But is budget only for the country and economists? No, we also have budgets in daily life. Budget is what we plan how to make our income and expenses to meet. Let me explain.

**Where and when economics enters our life? :** Generally people are at least faintly aware that economics is something connected with money – or large money. Yes that is it. Economics is about money. Economics is there wherever money is made, spent or even talked about. But how money itself comes in our life? Money comes in by, salary, wages, borrowing, lottery, awards and prizes, scholarships and like that. Money is spent on buying things in paying the price, fees, taxes, donation, depositing in banks. So there is economics involved whenever and wherever these terms come.

**How economics works in our salary:** Salary and wages comes at the end of a month or week of our doing some job and service. But how our job and salary are dependent on economics? When there are many organizations, factories they need more workers. So, more people get job. Then a situation may come when the companies need workers, but they are scarce. So to get good workers the salary and wages are made more. Similarly when a company gets more profit, it may share a part of this with its employers who enabled the profit. This is done by way of Bonus; increase in salary and wages or by any other way of compensation. Think about a situation opposite. More workers requiring employment but less employers. Then workers have grapple with less salary. Sometimes there will be losses continuously. Then the employers may stop their business and their employees may lose their job. Many countries around the world are now facing a similar situation. In this very mundane thing which every one of us is familiar- a lot of economics is working. A few of these economic terms are - Demand-supply, Profit-Loss, Recession, Money supply.

**How economics works in our daily spending:** How and what we spend depends on our income, our requirements and our habit. But apart from this there is a factor which we cannot control directly. That is price of what we buy. Who is deciding price? The shopkeeper, the manufacturer etc. Have we got any choice? No. But how the seller fixes price. ? Similar to the job-salary situation. There we saw a term Demand-Supply. It means more people demand the thing but less it supply is available. So the price increases. So we have to choose whether to buy a particular thing at that given price. This choice will be affected by reducing the quantity we buy, reducing the quality we buy or buying an alternate product, or not buying at all. But there are some things we need essentially and we cannot reduce the quantity also. For example the LPG cooking gas cylinders we cannot do anything here in quantity, or price. It is essential. Then we buy it at the given price and the regular quantity. As this is a rigid situation, such things are called price-inelastic. But say chocolates, condensed milk etc, then here, we may either reduce the quantity, change the brand or not buy at all. So

these things are called price-elastic. While in a different situation, we tend to buy even non-essential items with the price as it is. This happens when we have more money with us like when we get bonus or unexpected salary hike. Or, it is when our son and daughter also got a job, that family has now more money to spend. Then we are known to be having more purchasing power. The above situations are the economic term 'inflation'. Fewer goods, more people - or more money less goods.

**Is there economics in our eating food:** Yes, what we eat is called consumption. But economics does not stop consumption in only food items they include many other things we normally use. Like soap, powder, shaving cream etc. Our food habits are regarded as consumption pattern in economics and we are consumers. But our consumption depends on the price and availability of goods and our money supply.

**How economy works in our life by way of interest:** Where is interest involved? We get interest when we deposit money with banks or similar places. We pay interest when we borrow money. The same demand-supply works here also basically. But apart from this the government and central bank of a country also direct interest changes. When the govt senses there is inflation govt comes to the rescue of general people by making money coming out less so that people will not have more money to spend unnecessarily or to buy and stock things to make an artificial scarcity. So they increase interest rates. When the interest rates are increased, people, companies, traders all will reduce their borrowings or repay their existing borrowings. People having spare money will deposit same in Banks to get more interest on that. Thus money coming outside is less. After sometime the inflation caused the prices-come down. Simultaneously or separately the central bank will put restrictions on banks to lend. All these are called market intervention. In the opposite, when there is very little money supply, the central bank will allow more lending by reducing interest, so that people have more money with them.

**How taxes work as an economic factor in our daily life:** Similar to what is seen in the preceding section, the government also intervenes to correct situations like inflation or recession. This they achieve through tax administration- increasing or decreasing taxes, policy administration and reforms in general. To encourage a sector to manufacture more goods or generate more services, the govt decreases taxes. By doing so, people get more money which was otherwise paid in taxes, the manufacturer incurs less expense and reduces his price and the people buy those goods. Similarly if the government wants to tighten the people's purchasing power and reduce supply of certain goods they increase taxes to that sector. When govt wants money for its developmental activities they come with various savings instruments like Tax free Bonds, Saving certificates etc with good interest rates.

## Conclusion

When economics works at individual lives it is called micro economics. But at the governmental level or country level and international level they cannot take each individual for every decision and action. Hence it is made on a bigger national level. That is called Macro economics. When people have sufficient money, sufficient goods at affordable price, then they are having economic well being. Micro or Macro- economics affects our daily life.