

STATISTICS

SUBJECT : ECONOMICS

CHAPTER NUMBER:1(1.1)

CHAPTER NAME :INTRODUCTION

CHANGING YOUR TOMORROW

ECONOMICS : AN INTRODUCTION

INTRODUCTION

THE SCIENCE OF ECONOMICS IS NOT VERY OLD.

ITS ORIGIN CAN BE TRACED TO 1776 WHEN ADAM SMITH'S BOOK “**AN ENQUIRY INTO THE NATURE AND CAUSES OF WEALTH OF NATIONS**” WAS PUBLISHED WITH THE INCREASE IN AREAS OF HUMAN ACTIVITY.

THE SCOPE OF ECONOMICS HAS CONSIDERABLE INCREASED OVER THE YEARS .

THE WORD ECONOMICS HAS BEEN DERIVED FROM TWO GREEK WORDS **OIKOS** (A HOUSE) AND **NEMEIN** (TO MANAGE).

ECONOMICS MEANS HOUSEHOLD MANAGEMENT .

EARLIER IT USED TO BE CALLED POLITICAL ECONOMY.

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MEANING OF ECONOMICS

DIFFERENT ECONOMIST HAVE DEFINED IT IN DIFFERENT WAYS .

LEAD TO A LOT OF DISPUTE AND MISCONCEPTION .

VARIOUS DEFINITION OF ECONOMICS DEVELOPED DURING THE COURSE OF HISTORY HAVE BEEN BROADLY DIVIDED INTO **FOUR PARTS** :

1. **WEALTH DEFINITION BY ADAM SMITH**
2. **WELFARE DEFINITION BY ALFRED MARSHALL**
3. **SCARCITY DEFINITION BY LIONEL ROBBINS**
4. **GROWTH ORIENTED DEFINITION BY SAMUELSON**

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WEALTH DEFINITION

ACCORDING TO **ADAM SMITH** ECONOMICS IS A SCIENCE OF WEALTH .

- IN THE ORDINARY LANGUAGE WEALTH MEANS MONEY .
- BUT IN ECONOMICS, THE TERM WEALTH HAS A SPECIAL MEANING . IN ECONOMICS **WEALTH REFERS TO THOSE GOODS WHICH SATISFY THE HUMAN WANTS.**
- ADAM SMITH WAS OF THE VIEW THAT ECONOMICS IS CONCERNED WITH THE PROBLEM ARISING FROM WEALTH-GETTING AND WEALTH-USING ACTIVITIES OF PEOPLE.
- HE WAS INTERESTED MAINLY IN STUDYING THE WAYS BY WHICH THE WEALTH OF ALL NATIONS COULD BE INCREASED.

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WELFARE DEFINITION

ACCORDING TO **ALFRED MARSHALL** “**ECONOMICS IS A STUDY OF MAN IN THE ORDINARY BUSINESS OF LIFE** “. IT ENQUIRES HOW HE GETS HIS INCOME AND HOW HE USES IT.

- ON THE **ONE SIDE THE STUDY OF WEALTH** AND ON THE OTHER AND MORE IMPORTANT SIDE , A PART OF THE **STUDY OF MAN**.
- ACCORDING TO MARSHALL, THE PRIMARY OBJECT AND END OF ECONOMICS IS THE PROMOTION OF MATERIAL WELFARE, WHICH IS A PART OF HUMAN WELFARE.
- DUE TO THIS REASON , HE SHIFTED THE OF EMPHASIS FROM THE WEALTH TO WELFARE.

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SCARCITY DEFINITION

ACCORDING **PROF. LIONEL ROBBINS** , “**ECONOMICS IS A SCIENCE TO STUDY HUMAN BEHAVIOUR AS A RELATIONSHIP BETWEEN ENDS AND SCARCE MEANS WHICH HAVE ALTERNATIVE USE.**”

- SCARCITY DEFINITION OF ECONOMICS WAS GIVEN BY **ROBIN** IN HIS BOOK “**AN ESSAY ON THE NATURE AND SIGNIFICANCE OF ECONOMIC SCIENCE**” , PUBLISHED IN 1932.
- SCARCITY DEFINITION IS BASED ON THE FOLLOWING FUNDAMENTAL CHARACTERISTICS OF HUMAN EXISTENCE WHICH GIVES RISE TO ECONOMIC PROBLEM :
 - ✓ UNLIMITED WANTS : MAN HAS UNLIMITED WANTS OR ENDS I.E. THEY CAN NEVER BE FULLY SATISFIED . NO SOONER A WANT IS SATISFIED , A NEW WANT EMERGES.
 - ✓ SCARCITY OF RESOURCES : SCARCITY REFERS TO THE LIMITATION OF SUPPLY IN RELATION TO DEMAND FOR A COMMODITY . SCARCITY IS UNIVERSAL AND APPLIES TO ALL INDIVIDUALS , ORGANISATIONS AND COUNTRIES.
 - ✓ ALTERNATIVE USES : RESOURCES ARE NOT ONLY SCARCE BUT THEY CAN ALSO BE PUT TO VARIOUS USES . IT MAKES CHOICE AMONG RESOURCES MORE IMPORTANT.

ACCORDING TO ROBBINS, THESE FUNDAMENTALS CHARACTERISTICS ARE FOUND EVERYWHERE, IN ALL COUNTRIES AND AT ALL TIMES. ECONOMICS DEALS WITH HOW THE SCARCE RESOURCES OF SOCIETY WOULD BE ALLOCATED TO THE SATISFACTION OF DIFFERENT WANT.

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SCARCITY IS THE ROOT OF ALL ECONOMIC PROBLEM

SCARCITY REFERS TO A SITUATION WHEN RESOURCES ARE NOT ENOUGH TO SATISFY ALL THE WANTS OF ITS PEOPLE .

SCARCITY IS PERVASIVE AND IS A FACT OF ECONOMIC LIFE FOR EACH AND EVERY INDIVIDUAL , IN THE WHOLE WORLD .

SCARCITY OF RESOURCES IS THE BASIC REASON FOR EXISTENCE OF ECONOMICS PROBLEMS IN ALL ECONOMIES.

THERE WOULD HAVE BEEN NO ECONOMIC PROBLEM IF RESOURCES WERE NOT SCARCE.

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SCARCITY AFFECTS OUR DAILY LIFE

VARIOUS FORMS OF SCARCITY IN OUR DAILY LIFE :

- **THE LONG QUEUES AT RAILWAYS RESERVATION COUNTER ,**
- **CROWDED BUSES AND TRAINS ,**
- **SHORTAGE OF ESSENTIAL COMMODITIES**
- **INCREASING PRICES OF PETROL , VEGETABLES AND PULSES**

SCARCITY BECAUSE THE THINGS THAT SATISFY OUR WANTS ARE LIMITED IN AVAILABILITY.

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WHY DO WE STUDY ECONOMICS ?

ECONOMICS IS STUDIED BECAUSE :

- IT ENABLES US TO UNDERSTAND DIFFERENT ASPECTS OF ECONOMY AND HELPS IN ANALYSING PROBLEM AND POLICIES OF GOVERNMENT .
- HOWEVER THE MAIN REASON FOR THE STUDY OF ECONOMICS CAN BE SIMPLIFIED TO A SINGLE WORD SCARCITY .
- IN OTHER WORDS HUMAN WANTS ARE GREATER THAN THE AVAILABLE RESOURCES.
- SO THERE IS A NEED TO ALLOCATE THESE SCARCE RESOURCES FOR THE SATISFACTION OF NEVER ENDING HUMAN WANTS .

ECONOMICS IS CONCERNED WITH THE SELECTION OF RESOURCES UNDER CONDITIONS OF SCARCITY.

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GROWTH ORIENTED DEFINITION

ACCORDING TO PROF. SAMUELSON

ECONOMICS IS THE STUDY OF HOW MAN AND SOCIETY CHOOSE, WITH OR WITHOUT USE OF MONEY, TO EMPLOY SCARCE PRODUCTIVE RESOURCES, WHICH COULD HAVE ALTERNATIVE USES TO PRODUCE VARIOUS COMMODITIES OVER TIME AND DISTRIBUTE THEM FOR CONSUMPTION NOW AND IN THE FUTURE AMONG VARIOUS PEOPLE AND GROUP OF SOCIETY .

ECONOMICS IS A SOCIAL SCIENCE AND IT IS MAINLY CONCERNED WITH THE WAY HOW SOCIETY EMPLOY ITS LIMITED RESOURCES FOR ALTERNATIVE USES .

PROF. SAMUELSON DEFINITION IS CONSIDERED TO BE THE MOST APPROPRIATE AND SATISFACTORY.

IT IS NOT ONLY INCLUDES ALL THE ISSUES WHICH WERE HIGHLIGHTED IN THE EARLIER DEFINITIONS BUT ALSO TAKES UP THE ISSUES OF ECONOMIC GROWTH AND SOCIAL WELFARE

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CONCLUSION

THE FOLLOWING DEFINITION OF ECONOMICS WHICH IS MAINLY USED BY MANY OF THE ECONOMIST :

ECONOMICS IS THE STUDY OF HOW PEOPLE AND SOCIETY USED TO EMPLOY SCARCE RESOURCES THAT COULD HAVE ALTERNATIVE USES IN ORDER TO PRODUCE VARIOUS COMMODITIES THAT SATISFY THEIR WANTS AND TO DISTRIBUTE THEM FOR CONSUMPTION AMONG VARIOUS PERSONS AND GROUPS IN SOCIETY.

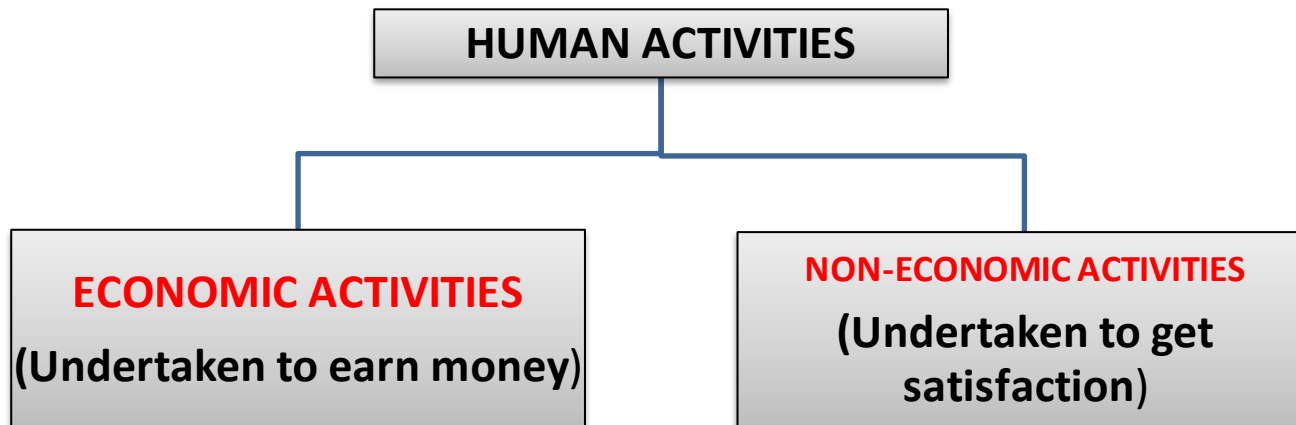
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ECONOMIC AND NON-ECONOMIC ACTIVITIES :

ALL HUMAN BEING ARE ENGAGE IN SOME ACTIVITY OR THE OTHER IN ORDER TO SATISFY THEIR BASIC NEEDS.
FOR EXAMPLE FARMERS ARE BUSY IN THEIR FIELD

WORKERS ARE WORKING IN FACTORIES

PROFESSIONALS LIKE CA OR DOCTORS ARE BUSY IN THEIR PROFESSION . DEPENDING ON WANT ALL HUMANS
ACTIVITIES CAN BE BROADLY DIVIDED INTO TWO CATEGORIES



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ECONOMIC ACTIVITIES

ECONOMIC ACTIVITIES REFERS TO THOSE ACTIVITIES WHICH ARE UNDERTAKEN TO **EARN A LIVING** .

FOR EXAMPLE : WORKERS WORKING IN A FACTORY
SHOPKEEPER SELLING GOODS IN HIS SHOP
DOCTOR ATTENDING TO PATIENT IN HIS CLINIC ETC.

ECONOMICS ACTIVITIES ARE CONCERNED WITH ALL THOSE ACTIVITIES WHICH ARE CONCERNED WITH THE **PRODUCTION , CONSUMPTION AND DISTRIBUTION OF GOODS AND SERVICES** , WHICH ARE NOT AVAILABLE FREE .

SO EVERY ECONOMY SHOULD UNDERTAKE THREE MAIN ECONOMIC ACTIVITIES

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ECONOMIC ACTIVITIES

- 1. CONSUMPTION** : CONSUMPTION IS AN ECONOMIC ACTIVITY WHICH DEALS WITH THE USE OF GOODS AND SERVICES FOR THE SATISFACTION OF HUMAN WANTS. EATING OF BREAD, DRINKING OF MILK , WEARING WATCHES , LISTENING OF MUSIC ETC. ARE CONJUNCTION ACTIVITIES.
- 2. PRODUCTION** : PRODUCTION REFERS TO ALL ACTIVITIES WHICH ARE UNDERTAKEN TO PRODUCE GOODS AND SERVICES FOR GENERATION OF INCOME AND SATISFYING HUMAN WANTS. IT IS THE PROCESS OF CONVERTING RAW MATERIALS INTO FINISHED PRODUCT. LAND, LABOUR, CAPITAL AND ENTREPRENEUR ARE THE FOUR FACTORS OF PRODUCTION . THE ACTIVITIES OF FARMER , CARPENTER, TRADER, TEACHER, DOCTOR ,SHOP KEEPER ETC. ALL COME UNDER PRODUCTION.

TWO VITAL ELEMENTS OF AN ECONOMY : PRODUCTION AND CONSUMPTION ARE THE TWO ESSENTIAL ECONOMIC ACTIVITIES OF AN ECONOMY . GENERALLY EVERY INDIVIDUAL IN AN ECONOMY IS ENGAGE EITHER IN CONSUMPTION ACTIVITIES OR IN PRODUCTION ACTIVITIES. WHEN AN INDIVIDUAL IS ENGAGED IN THE CONSUMPTION OF GOODS OR SERVICES IS ACTING AS AN CONSUMER. SIMILARLY WHEN AN INDIVIDUAL ENGAGE IN THE PRODUCTION OF SOME GOODS OR SERVICES HE/SHE IS ACTING AS PRODUCER.

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ECONOMIC ACTIVITIES

3. DISTRIBUTION : DISTRIBUTION IS THAT ECONOMIC ACTIVITY WHICH STUDIES HOW INCOME GENERATED IS DISTRIBUTED AMONG THE FACTORS OF PRODUCTION.

IT DEALS WITH DETERMINING HOW THE TOTAL INCOME ARISING FROM PRODUCTION PROCESS (KNOW AS GROSS DOMESTIC PRODUCT OR GDP) IS DISTRIBUTED TO LAND, LABOUR, CAPITAL AND ENTREPRENEUR IN THE FORM OF RENT, WAGES, INTEREST AND PROFIT RESPECTIVELY .

THANKING YOU

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