

**Class 11<sup>th</sup> | ECONOMICS**



# **ECONOMICS: AN INTRODUCTION**

**LECTURE - 1**

## INTRODUCTION

The word 'Economics' has been derived from two Greek words 'Oikos' (a house) and 'nemein' (to manage).

Thus, economics means Household Management.

Earlier, it used to be called as Political Economy.

As a subject, there is no harmony in definition of 'Economics'.  
Different economists have defined it in different ways, which has led to a lot of disputes and misconceptions.

## MEANING OF ECONOMICS

- ➔ **Wealth** Definition by **Adam Smith**
- ➔ **Welfare** Definition by **Alfred Marshall**
- ➔ **Scarcity** Definition by **Lionel Robbins**
- ➔ **Growth Oriented** Definition by **Samuelson**

Chai pe Charcha

Raju tea Stall



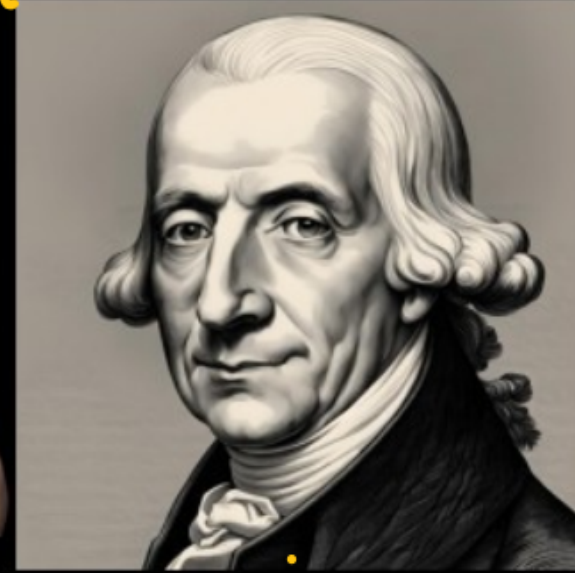
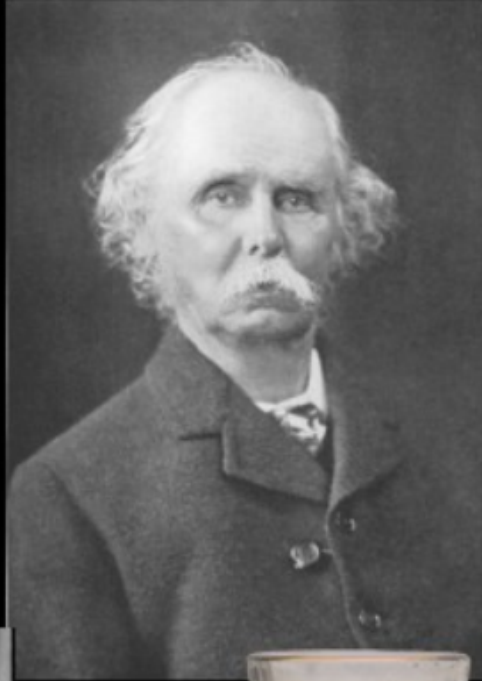
phone

4 dosto



# Chai pe Charcha definition?

Alfred



Adam Smith

Sam



Robbins

# MEANING OF ECONOMICS

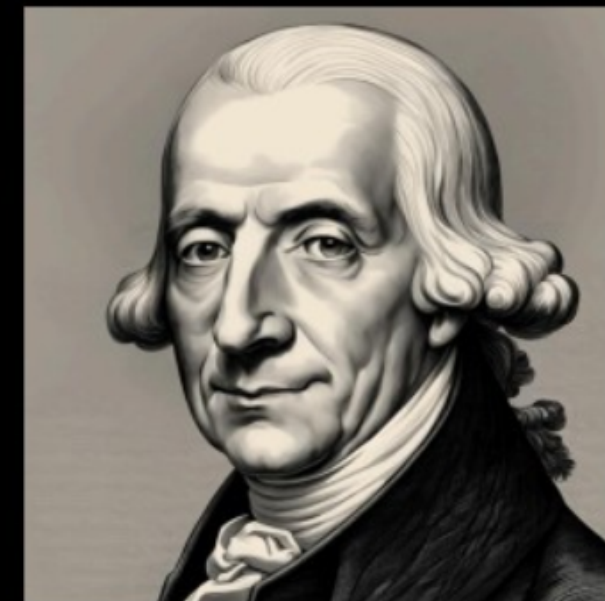
## ➔ Wealth Definition

According to Adam Smith, 'Economics is the science of wealth'.

But in economics, the term 'wealth' has a special meaning. In Economics, wealth refers to those goods which satisfy human wants.

- Adam Smith was of the view that economics is concerned with the problems 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.
- However, welfare definition was criticized as it gave too much importance to material wealth and ignored human welfare and moral values.



Adam Smith



# MEANING OF ECONOMICS

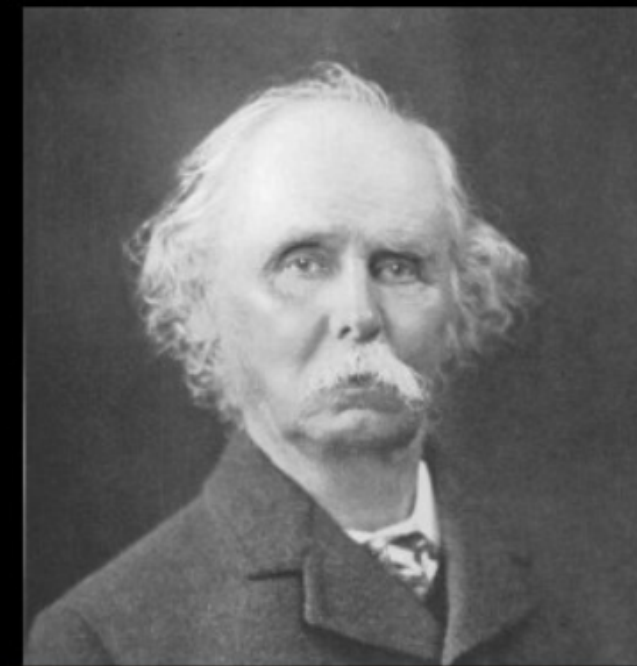
## ➔ Welfare Definition

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'.  
Alfred Marshall (1842-1924)

- According to Marshall, the primary object and end of economics is the promotion of material welfare, which is part of human welfare.

- Due to this reason, he shifted the emphasis from wealth to welfare.

However, Marshall's definition was also criticized. The distinction made by Marshall between economic and non-economic activities was not accepted by Robbins. Moreover, Robbins also asserted that economics not only studies about material goods but also about services (like services of a teacher, a doctor, etc.).



Dr. Alfred Marshall was the first Economist, who denied the wealth-related definitions of Adam Smith, in his two books published in 1890, named 'Principles of Economics' and 'Economics of Industry', and emphasized that wealth is for man and man is not for wealth. So, as per him, wealth is not the 'End, but only a 'Means' to attain welfare. Thus, it is on the one side, the study of wealth and on the other and more important side, a part of the study of man.



# MEANING OF ECONOMICS

## ➔ Scarcity Definition

According to Prof. Lionel Robbins, 'Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses'.

- Scarcity definition of economics was given by Robbins in his book 'An Essay on the Nature and Significance of Economic Science', published in 1932.
- Scarcity definition is based on 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.
- 4ifi Alternative uses Resources are not only scarce, but they can also be put to various uses. It makes choice among resources more important.



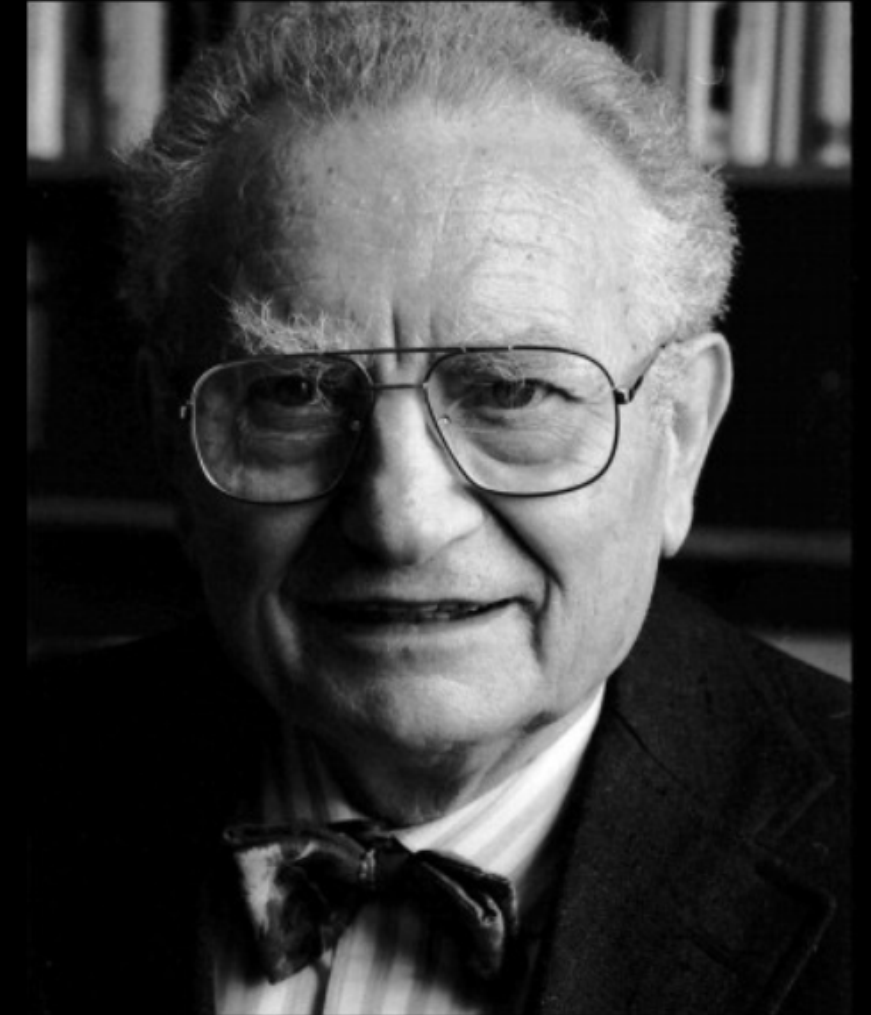
Lionel Robbins

## MEANING OF ECONOMICS

### ➔ Growth Oriented Definition

According to Prof. Samuelson, 'Economics is the study of how man and society choose, with or without the 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 groups of society.'

Samuelson's definition tells us that economics is a social science and it is mainly concerned with the way how society employs its limited resources for alternative uses. So, it is a modified version of scarcity definition.



Prof. Samuelson



## Scarcity is the root of all Economic Problems

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 economic problems in all economies. There would have been no economic problem, if resources were not scarce.

### SCARCITY AFFECTS OUR DAILY LIFE....

We face various forms of scarcity in our daily life. The long queues at railway reservation counters, crowded buses and trains, shortage of essential commodities, increasing prices of petrol, vegetables or pulses, etc., are all manifestations of scarcity. We face scarcity because the things that satisfy our wants are limited in availability.



# MEANING OF ECONOMICS

## DEFINITIONS OF ECONOMICS

Wealth Definition By Adam Smith	Welfare Definition By Alfred Marshall	Scarcity Definition By Prof. Lionel Robbins	Growth Oriented Definition By Prof. Samuelson
--	--	--	--

# MEANING OF ECONOMICS

## ➔ Conclusion

“Economics is the study of how people and society choose 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”.



## NATURE OF ECONOMICS

There is a great controversy among the economists regarding the nature of economics, whether the subject 'economics' is considered as science or an art.

**Economics as a Science:** Science is a systematised body of knowledge, which analysis cause and effect relationship and scientific principles have universal validity. Economics is also a systematic study of knowledge and facts and deals with the correlation-ship between cause and effect. Moreover, all the laws in economics are generally universally accepted. Despite these similarities, economic laws are not as precise and positive as the laws of natural sciences. Therefore, economics can be called as social science.

# NATURE OF ECONOMICS

## ➔ Economics as a Science Ccan be

*Actual situation*

(i) **Positive Economics (or Science)** Positive Economics deals with what are the economic problems and how are they actually solved. For example, India is an overpopulated country or prices are constantly rising. Positive Economics aims to make real description of an economic activity. It is based upon facts, and thus, not suggestive.



*Ideal situation.*

(ii) **Normative Economics (or Science)** Normative Economics deals with what ought to be or how the economic problems should be solved. For example, India should not be an overpopulated country or prices should not rise. Normative Economics aims to determine the ideals. It is based upon individual opinion and therefore, it is suggestive in nature.





# NATURE OF ECONOMICS

## ➔ Economics as an Art

Art refers to skillful and personal application of systematic knowledge to bring desired results. It can be acquired through study, observation and experience. Similarly, economics also requires human imagination for the practical application of laws, principles and theories



# ECONOMIC AND NON-ECONOMIC ACTIVITIES

## ➔ Introduction

All human beings are engaged in some activity or the other in order to satisfy their wants and desires. For example, farmers are busy in their field, workers are working in factories, professionals (like CA's or Doctors) are busy in their profession. Depending on wants fall human activities can broadly be divided into two categories:

### Human Activities

#### Economic Activities

Undertaken to earn money

#### Non-Economic Activities

Undertaken to get satisfaction



# ECONOMIC AND NON-ECONOMIC ACTIVITIES

## • Economic Activities

Economic activities refer to those activities, which are undertaken to earn a living.

Economic activities are concerned with all those activities, which are concerned with the Production, Consumption and Distribution of goods and services, which are not available for free. So, every economy should undertake three main economic activities:

**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 music, etc. are consumption activities. In consumption, we study wants, their origin, nature and characteristics and the laws governing them.



# ECONOMIC AND NON-ECONOMIC ACTIVITIES

(i) Production: It is the process of converting raw material into finished products)

- Production is an important economic activity as it enhances the utility of the product by changing it in the form needed by the consumers.
- It includes all activities which are undertaken to produce goods and services for generation of income and satisfying human wants. The activities of farmer, carpenter, trader, teacher, doctor, shopkeeper, etc. all come under production.
- It involves deciding what to produce (i.e. which all goods and services) and how to produce (i.e. choice of technique).
- Land, labour, capital and entrepreneur are the four factors of production.
- In production, we study the means of production, their basic features and also the laws governing production.

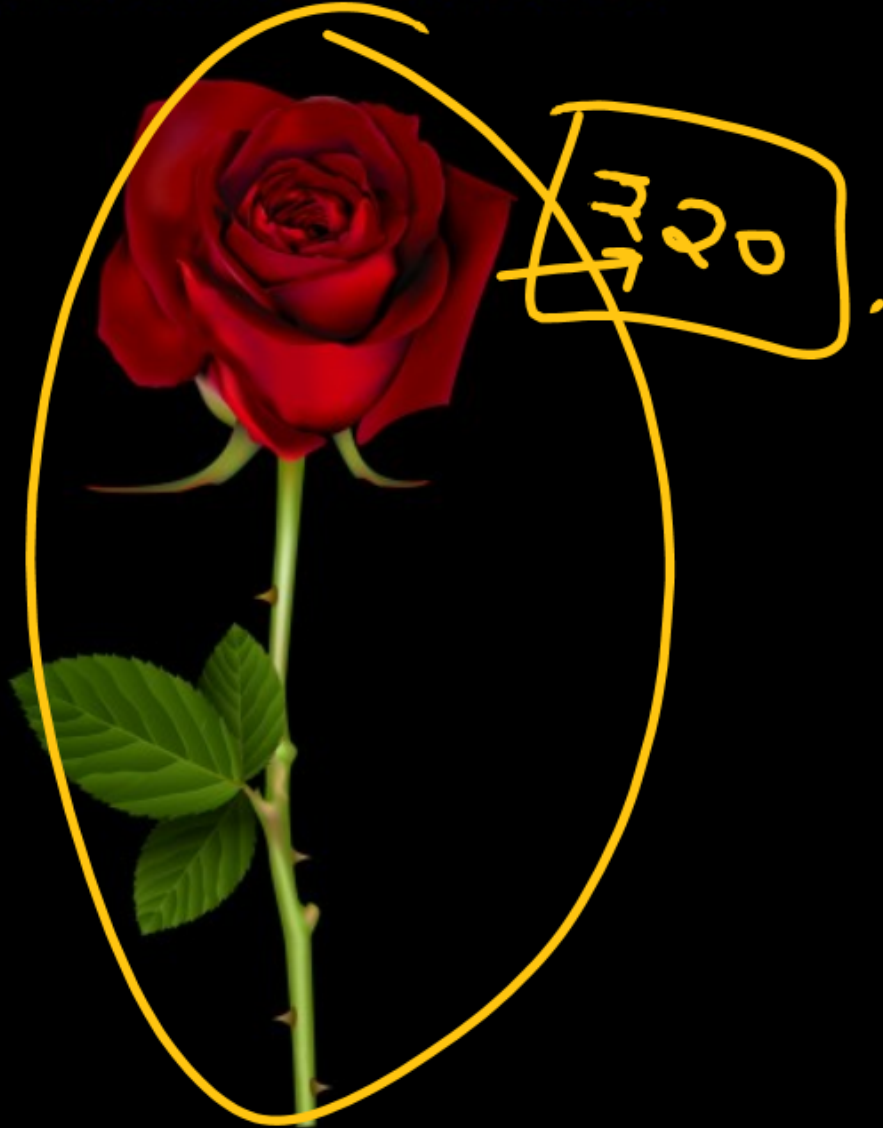
Hii) Distribution: We know that production is the result of the combined efforts of the four factors of production namely land, labour, capital and entrepreneur Distribution is that economic activity which studies how income generated is distributed among these factors of production, i.e. how a part of income generated will go as rent (for use of land), a part will go as wages to labour, a part will go as interest to owners of capital and a part will go as profits to the entrepreneur. It deals with determining how the total income arising from production process (known as Gross Domestic Product or GDP) is distributed to the factors in the form of rent, wages, interest and profit respectively.



# ECONOMIC AND NON-ECONOMIC ACTIVITIES

## • Non-Economic Activities

14 Feb



3



# ECONOMIC AND NON-ECONOMIC ACTIVITIES

## • Non-Economic Activities

- Activities which are not concerned with creation of money or wealth are known as Non- Economic activities. For example, housewife cooking food for her family or a teacher teaching
- his own son.
- In non-economic activities, there is no expectation of any kind of monetary reward or benefit. They are inspired by sentimental reasons and are performed out of love, sympathy, sentiments, patriotism, etc.
- Some more examples of non-economic activities performed in the economy are:
- Charitable activities like blood donation camps, free education to needy students; Social activities like get-together, attending parties;
- (ii) Political activities performed by different political parties;
- A) Religious activities like praying to God.

# STAY CONNECTED

## KEEP LEARNING

*Thank You*



Join our telegram channel  
@NEXTTOPPERS\_COMMERCE1

