

Tender Heart High School

Class! - 9th
Subject! - Economics
Teacher! - Lokesh Arora

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Ch-1 Introduction to Economics

Good Morning Students,

This lesson is for class 9th for the subject of Economics. The topic for today is 'Definitions of Economics' which is covered in chapter 1 titled 'Introduction to Economics' of your book of Economics.

This lesson is being submitted to you on 8-4-24 and the voice is of Mr. Lokesh Arora.

All the students please open page number 1.

Economics :-

The term "Economics" was originally derived from two Greek words 'Oikos' which means 'household' and 'nomos' which means 'management'.

Thus, it refers to management of a household using the limited funds.

The society also faces the problem of satisfying unlimited wants with its limited resources. Thus, economics studies the ways and means in which people organise themselves to tackle the problem of scarcity.

Economics is also defined as the social science that studies economic activities. It studies individuals and organisations engaged in the production, distribution and consumption of goods and services.

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Moreover, economists at different times have emphasised different aspects of economic activities and hence arrived at different definitions of economics. Few of which are:-

1. Wealth Definition:

Wealth definition of economics was given by Adam Smith (known as father of Modern Economics). He, in his book "An Enquiry into the nature and causes of Wealth of Nations", defined economics as 'Science of Wealth'. That means economics studies production and consumption of wealth. The great objective of every economy is to increase the wealth of the country. According to him, "Economics is a subject which tells us how to make a nation wealthy because the wealthier a nation becomes, the happier are its citizens".

Features of Wealth Definition

(i) Study of Wealth:-

According to wealth definition, the only proper subject of economics is wealth. Economics studies the nature of wealth and the causes that increase wealth.

(ii) Study of Material Goods Only:-

In wealth definitions, the term wealth has been used only for material

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goods which are scarce and useful like Table, chair, pen, book, etc. Non-material goods like services, water, sunshine, etc., have not been considered as wealth.

(iii) Causes of Wealth:-

Economics is considered as study of wealth accumulation. The richness (wealth accumulation) brings economic development. In order to increase wealth, production of material goods have to be increased.

(iv) Economic Man:-

Wealth definition lays emphasis on the man who does all activities of his self-interest. Such a man motivated by self-interest is called 'economic man'.

2 Welfare Definition:-

Prof. Alfred Marshall in his book 'Principles of Economics' gave a material welfare definition of economics. He gave more importance to human welfare in comparison to wealth.

According to him, wealth is only a means (resources) to satisfy human wants and not an end in itself. He defined economics as 'a study of mankind in the ordinary business of life. It examines that part of individual and social actions which is most

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closely connected with the attainment and use of material requisites of well-being

Features of Welfare Definition:-

- (i) Study of Man Kind!:- Economics studies the economic activities of human beings. It studies the role of man in the creation of wealth.
- (ii) Study of ordinary business of life!:- Economics studies an ordinary man who earns and spends wealth to get maximum satisfaction. It does not study an extraordinary man like a sadhu or saint.
- (iii) Study of Material Welfare!:- Economics does not study the whole of human welfare but only that welfare which is of material type. Material or economic welfare is that part of social welfare which can be measured in terms of money. The study of non-material welfare lies outside the scope of economics.
In short, material welfare is the motive behind all economic activities. Wealth is regarded only a means to achieve this objective.
- (iv) Use of Money!:-

This definition considers money as a measuring rod to measure the material or economic welfare. Students, before going further, let take a board and write the answers

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of the following questions during the break

- Ques 1. Define Economics as a Social science
2. Write two features of Wealth definition
2. Explain the definition given by Prof. Alfred Marshall

(3) Scarcity Definition:-

Prof. Lionel Robbins in his book "An Essay on the nature and significance of Economic Science" has defined, "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses."

According to him, economics studies those activities of human beings which they perform with limited means (resources) having alternative uses in order to satisfy their unlimited wants. Scarcity (shortage) of means (resources), in relation to unlimited wants, leads to the problem of making a choice.

Features of Scarcity Definition

(i) Unlimited Ends:-

By 'ends' Prof. Robbins meant human wants are unlimited. We possibly cannot satisfy them all. If one want is satisfied, another crops up.

(ii) Scarce Means:-

Human wants are unlimited and the means or resources at our disposal to satisfy these wants are scarce as

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limited. Compared to the unlimited wants for various goods and services, these resources are limited.

(iii) Alternative Uses of Means:-

Not only our means are scarce but they can also be put to a number of uses. For example, coal is used in factories, in running railways and in thermal stations for electricity generation and also by households.

(iv) Efficient Use of Scarce Resources:-

Since wants are unlimited, these wants are to be ranked in order of priorities. On the basis of such priorities, the scarce resources are to be used in an efficient manner for the satisfaction of wants.

(v) Science of Choice:-

Since wants are numerous and means are scarce, we have to select the most urgent wants from the numerous, leaving of course other wants which can be satisfied later on, and choose some of the means from scarce ones to satisfy the selected wants. In this sense, the scarcity of means makes choice necessary. That is why economics is described as a "Science of Choice".

(vi) Growth Definition:-

Scarcity definition explains the presence of economic problems arising out of

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scarcity. But modern economists, like Samuelsen, Paterson etc. feel that economics should also suggest how the scarce means should be used to satisfy more wants and to attain higher living standard. According to Prof. Samuelsen, "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."

According to him, economics and economists cannot remain neutral between ends. They have to decide what to do and what not to do. Things cannot be left to themselves.

Features of Growth Definition of Economics:-(i) Efficient Allocation of Resources:-

Growth definition not only lays stress on the allocation of resources but also on their proper utilisation so that more wants could be satisfied.

(ii) Growth of Resources:-

According to Samuelsen, available resources should not only be used properly, but efforts should also be made to increase them so as to satisfy ever ~~a~~ increasing wants.

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(iii) Solution to 'Economic Problems' :-

Economics is not only concerned with the identification of economic problems but it should also suggest ways and means to solve them.

(5) Keynes's Definition :-

The earlier economists explained economic activities in the context of an individual only. But economic problems are related to individual as well as the society.

Lord Maynard Keynes explained economic activities from the viewpoint of society as a whole. According to him, "Economics is a study of administration of scarce means and the determinants of employment and income." Thus, economic problem of scarcity of means and choices was approached from the viewpoint of economics as a whole instead of analysing at the individual point of view.

Students with this I am ending my topic. I will give you few questions. You are requested to write the answers of following questions in your note-books.

Ques 1. Give two features of Growth Definition

Ques 2. Give definition of Economics as given by Keynes.

Ques 3. Explain scarcity^{definition} of Economics and explain its features.