

Ch-3 Basic Concepts of Economics

Good Morning Students

This lesson is of class 9th for the subject of Economics. The topic for today is 'Human wants and Goods' which is covered in chapter 3 titled 'Basic Concepts of Economics' of your book of Economics.

This lesson is being submitted to you on 29.04.24 and the voice is of Mr. Lokesh Arora.

All the students now please open page number 19 of your book and listen carefully.

Human Wants!

In simple words 'want' and 'desire' have the same meaning, but in economics these two are different.

'Desire' is the wish to have something. It is not backed by the resources.

'Want' is an effective desire for a particular thing, which can be satisfied by making an effort to acquire it.

For example, you may desire to have a bike, but it would become your want only if you are ready to make an effort, like earning an income to acquire it.

Thus

"A want is a desire to acquire something and the willingness to put in an effort to acquire it".

Characteristics of Human Wants:-

- (i) Wants are Unlimited.
- (ii) Each particular want can be satisfied.
- (iii) Wants are competitive.

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(iv) Wants are Complementary.

(v) Wants have varying nature.

for explanation refer to page 20.

Wants are classified into three groups as follows:-

1. Necessaries:- Necessaries are those goods and services, the consumption of which is considered indispensable (essential, necessary). There are of three types

(a) Necessaries of life

(b) Necessaries of Efficiency.

(c) Conventional Necessaries

For explanation refer to page 20 of your book.

2. Comforts:- Comforts are those wants, the satisfaction of which does not increase our efficiency, but if we don't use that will decrease our efficiency. The wants for electric fan, washing machine, refrigerator etc. are included in this category.

3. Luxuries:- Wants for luxuries refer to those goods which are used for leading a luxurious life. These goods include costly cars, expensive clothes, gold ornaments, large houses, air conditioners etc.

Goods:- In ordinary language, 'Goods' mean only physical and material commodities which can be seen, touched and transferred. But in economics all those things that have value and can satisfy (2)

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human wants are called goods.

Goods stand for a commodity that satisfy human wants and has exchange value.

Thus both material goods (which can be seen or touched like fruits, vegetables, furniture, clothes etc) and immaterial goods (which cannot be seen or touched like services of a teacher, doctor, dry cleaner, banking etc) are goods, if they can satisfy human wants.

Classification of Goods

1. On the basis of Nature

(i) Material Goods:-

Goods which can be touched or seen and have their definite shape and size are called material goods. They can be stored and shifted from one place to another. For example, books, car, scooters, T.V, clothes etc.

(ii) Non-Material Goods:-

Non-material goods are those goods which are intangible. These goods cannot be touched or seen but these can satisfy human wants for example, services of doctors, teachers, lawyers, banks, transportation, warehousing etc. These goods are also called 'Services'.

2. On the basis of Value:-

(i) Free Goods:- Free goods are gifts of nature.

They do not possess any exchange value but can satisfy human wants. For example, Air, Sunshine, rainwater etc. These are important for human life but are not

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in limited quantity. Therefore, these goods do not command any price.

(ii) Economic Goods:-

Economic goods are those goods which are not freely available. We have to pay for these goods. An economic good can only be acquired after paying its price. All the consumer goods (e.g. cloth, wheat, fruits, milk etc) are economic goods.

3. On the basis of Use:-

(i) Consumer Goods:-

Consumer goods refer to all those goods which are used to satisfy human wants directly. These are not meant for resale. For example, food, clothes, furniture, car, books etc. Consumer goods are classified into four categories:-

- (a) Single use Consumer Goods.
- (b) Durable use Consumer Goods.
- (c) Semi-Durable Goods
- (d) Services

For explanation refer to page 21

(ii) Capital Goods:-

Capital goods refer to those goods of high value which are used to produce other goods and services. These goods are not meant for resale in the market. These goods are also known as Producer Goods. Factory building, Machines, office furniture are examples of capital goods.

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4. On the basis of Durability:-

- (i) Perishable Goods:- Perishable goods are those goods which must be consumed within short period of time. For example, fruits, vegetables, eggs, bread etc.
- (ii) Durable Goods:- Durable goods are those goods which can be consumed over long period of time. For example, cars, books, clothes, furniture, shoes etc.

5. On the basis of Ownership

- (i) Private Goods:- Private goods are those goods which are owned and consumed by individual consumers. For example a house, car, fruits, clothes etc.
- (ii) Public Goods:- Goods which are owned by the government but are used by a group of individuals collectively are public goods. For example, defence, public parks, fire services, Government hospitals etc.

Students before going further let's take a short break. Write the answers of following questions during the break.

1. What are human wants? Explain any two features.
2. What are Economic goods?
3. Give two difference between Capital Goods and Consumer Goods.
4. What are Perishable Goods?

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Utility:-

Human wants can be satisfied by use of commodities. Every commodity has something that can satisfy human wants. That want satisfying power of every commodity is known as 'Utility'.

Characteristics of Utility:-

1. Utility is Subjective.
2. Utility is Relative
3. Utility has got no real existence.
4. Utility is Abstract
5. Utility is not Pleasure

For explanation refer to page 23.

Types of Utility:-

(1) Form Utility:-

Utility created by changing the shapes of goods is called Form Utility. Eg. A log of wood has no utility but when a carpenter makes a table out of that wood, utility is created. Similarly by changing the form of wheat to flour, biscuit or bread, utility is created.

(2) Place Utility:-

Utility created by transferring the goods from the place of production to the place of consumption where they become more valuable is called Place Utility. Eg. Crops/food is grown in the fields but it has no utility until these are brought to the market or to the consumers.

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(3) Time Utility:-

Utility creating by storing the goods in the warehouse is called Time Utility.

When the value of goods is low, these goods are stored up for future use when their value would increase. For example, the Food Corporation of India creates time utility by storing food grains in the harvesting season and releasing the same at a reasonable price in the off season.

(4) Service Utility:-

Utility created by performing services is called service utility. e.g. services of a doctor, a teacher, a lawyer, a trader or a middleman.

Utility can also be classified as under:-

(a) Marginal Utility:-

Marginal utility refers to net addition made to the total utility by consuming one more unit of a commodity.

The concept of marginal utility can be explained with the help of an example.

When a consumer consumes one roti, he gets total utility equal to 10 utils (Imaginary unit to measure utility)

By consuming second roti total utility becomes 18 utils. Therefore marginal utility of the second roti is 8 utils i.e. $18 - 10 = 8$.

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(b) Total Utility!

Total utility is the sum total of the satisfaction that a consumer derives when a certain number of units of a particular commodity are consumed.

For example, if you get marginal utility of 10 utils from the consumption of the first unit of roti, 8 utils and 6 utils from the consumption of second and third roti (Chapati) respectively, total utility derived from the consumption of 3 units of roti will be 24 utils ($10 + 8 + 6$).

With this I am ending my topic.
Write the answers of the following questions in your note book.

1. Define Utility. Explain its features.
2. What is Marginal Utility?
3. Explain any two types of Utility.

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