Class 9th
Economics
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TENDER HEART HIGH SCHOOL

classmate
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Ch-3 Basic Concepts of Economics

Good Morning Students.
This lesson is for class 9th for the subject of Economics The topic for today is 'Value, Wealth and Capital' which is covered in chapter 3 'Basic Concepts of Economics' of your book of Economics.
This lesson is being submitted to you on 6-5-24.
All the students now please open page number 25 of your book and listen carefully.

Value:-
The world 'Value' is used in two senses:-
(i) Value in Use:-
Value in use means want satisfying capacity or usefulness of the commodity. The use value of a commodity can partly be contributed by nature and remaining by the human factor. for example, the use value of a car is partly contributed by natural resources such as steel, rubber etc. and partly by human labour.
(ii) Value in Exchange:-
Value in its exchange means its exchange value in terms of other commodities. For example 1kg of sugar can be exchanged for 2kg wheat then value of 1kg of sugar will be 2kg of wheat. Value of exchange is always expressed in relation to other commodities

Characteristics of Value:-
(i) Utility:- A commodity has value only

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when it has some utility. If a commodity has no utility, no other commodity can be exchanged for it.

VI) Transferability:- A commodity will have value-in-exchange only when it can be transferred from one place to another or its ownership can be transferred.

(vii) Scarcity! A commodity will have a value only when there is a shortage of that commodity.

Price!- Price is value expressed in terms of money. It is exchange value of a unit of a commodity or service measured in terms of money. For example, if a pen can be exchanged for ₹10, then the price of the pen is ₹10.

For Difference between Value and price refer to page 25 of your book.

Wealth!-

Wealth refers to all economic goods which are scarce and command some price. It is used to describe all those things that have value.

Characteristics of Wealth!

(i) Utility! Wealth must have power to satisfy human wants. Any commodity which has no utility cannot be termed as wealth.

(ii) Scarcity!.

Scarcity is another essential feature of

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wealth. To be wealth commodity must have scarcity in supply in relation to its demand. For example, air, water etc. are all free goods as their supply is not scarce and hence cannot be called wealth.

(iii) Transferability!
Wealth must possess the characteristic of transferability. If the commodity cannot be transferred from one person to other it cannot be treated as wealth. For example, B.A. / B.Com. degree of a person cannot be transferred from one person to another, therefore it cannot be termed as wealth. Likewise, the abilities of doctors, teachers are not wealth. Their abilities have utility and scarcity both but are not transferable. So, they cannot be treated as wealth.
But on the other hand, land, building, patent, car, Copyright, etc. can be owned or possessed by the people and therefore are wealth.

(iv) Externality!- To be wealth, a commodity must have externality i.e. It must have external shape and structure. Those things which are external to man can only be transferred and ~~of~~ only those things can be termed as Wealth. But the internal qualities like intelligence or honesty does not have externality (definite shape) and thus can not be termed as Wealth.

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Forms of wealth :-
(i) Individual Wealth (ii) Social Wealth
(iii) National Wealth (iv) International Wealth
For explanation refer to page 26.

Students, before going further lets take a short break. Write the answers of the following questions during the break.

Qu 1. Distinguish between Value and Price
2. Define Wealth.
3. Which of the following are included in wealth?
(a) Beauty (b) Ability of doctor (c) Land
(d) Ganga River (e) Ornaments (f) B.A. degree.

Welfare:-
Welfare refers to well-being of a person. It is a state of mind. People derive welfare out of the consumption of goods and services.
Human welfare is classified as:-
(i) Economic Welfare:- It is that part of human welfare which can be measured in terms of money
(ii) Non-economic welfare:- It is that part of human welfare which cannot be measured in terms of money. Such as environment, law and order, degree of freedom etc.

Capital:- All those man-made goods which are used for further production are called

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Capital. It is that part of wealth which is used to earn more wealth. For example raw materials, machines, factory building etc.
Capital is not demanded for its own sake but for assisting in the production of other goods. It thus increases the productivity of labour and land.

Human Capital:-
Human capital refers to the skills and experience which increases worker's productivity

Material Capital	Human Capital
(i) Material Capital can be bought and sold in the market.	(i) Human capital can ~~be~~ not be bought and sold in the market.
(ii) Material capital can be given as security against loans	(ii) Human capital cannot be given as security against loans.

Types of Capital:-

(1) Fixed Capital:- Fixed capital is that capital which is used again and again for further production. For example, machine, office furniture, factory building etc.

(2) Circulating Capital:- Circulating capital refers to those goods which are used in production only once for example, raw material, fuel, etc.

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(3) Sunk Capital:-
Sunk capital is that capital which can only be put to a single use. It is also called as 'Specialised Capital'. For example, a printing machine can only be put for printing and nothing else.

(4) Floating Capital:-
Floating capital is that capital which can be put to several uses. For example, steel is a capital good which can be used in various lines of production.

(5) Material Capital:-
Material capital comprises of those capitals which are in tangible form and which can be transferred from one person to another. e.g. Tools, stationery, machines etc.

(6) Personal Capital:-
Personal capital comprises all those energies, faculties and habits which contribute to make people efficient. For example, art of singing, art of writing, art of painting etc.

(7) Real Capital:-
Real capital refers to the physical stock of goods which are used as inputs in the production process. Eg. raw materials, machine etc. This is also known as Concrete capital.

(8) Debt Capital:-
Debt capital consists of titles to wealth, like shares, debentures, government promissory notes etc. They represent

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invested funds and yield income.

(9) Production Capital:-
It includes all those things which help the labour directly in production. For example raw materiel, tools, machines, equipment etc.

(10) Consumption Capital:-
It consists of those goods which indirectly help the process of production. For example food, clothes to workers etc. Properly nourished workers would certainly produce more goods and services.

With this, I am ending my topic here. Write the answers of the following questions in your note-books.

Ques 1. What is Non-economic welfare?
2. Explain various features of wealth.
3. What is Debt Capital?
4. What is Sunk Capital? Give example

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