

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 'Money, Consumption and Factors of Production' which is covered in chapter 3 titled 'Basic Concepts of Economics' of your book of Economics.

This lesson is being submitted to you on 13-5-24.

All the students now please open page number 29 of your book and listen carefully.

Money!:-

Anything which is generally accepted as a medium of exchange or settlement of debts (loans) is called Money.

Money consists of Currency Notes, Coins and Demand Deposits.

Currency Notes and Coins are issued by the Central bank of a country. Currency notes and coins are also called as 'Legal Tender Money' because nobody can refuse to accept it as a means of payment.

Demand Deposits refers to those deposits which can be withdrawn from the banks at any time or on demand.

Features of Money!:-

(1) General Acceptability:

For a thing, to serve as money, it must

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Possess the quality of general acceptability. It should be accepted by people freely in exchange for goods and services.

(2) Liquid Asset:-

Money is the most liquid form of wealth. It can be easily converted into goods and services as and when desired.

(3) Divisibility:- Money should be easily divisible into smaller parts and thus facilitate small transactions.

(4) Durability:- Money should be durable so that it lasts long and can be stored.

(5) Recognisability:-

Money should be easily recognised. It should have certain distinct marks so as to avoid mistake by the receiving person.

(6) Portability:-

Money must be portable one so that it can be transferred easily from one place to another.

Income:-

Income is the result of capital used in production. During the process of production of goods and services, various factors of production namely land, labour, capital and entrepreneur are used. The owners of factors of production receive factor incomes in the form of rent to land, wages to labour, interest to capital and profit to the entrepreneur in lieu of their productive services rendered.

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Production:-

Production is a process of creating various goods and services. It is a process in which some materials are transformed from ~~one~~ one form to other.

Whatever is used in the production process is called an input and whatever is obtained from the production process is called output.

The person who produces goods and services is called a producer.

Factors of Production:-

Anything that helps in the process of production of a commodity or service is called a factor of production. All those things which help in production are generally grouped into two parts:-

(i) Non Factor Input:-

Non-factor inputs consists of intermediate goods e.g. raw material, fuel etc. They generally lose their identity in the production process.

(ii) Factor Inputs:-

Factor inputs popularly known as factors of production. They give their services to produce other goods and services. There are mainly four factors of production, land, labour, capital and Organisation (Entrepreneur).

Wood can be converted into furniture with the help of labour and capital. Cotton

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can be converted into cloth with the help of labour and capital. In above examples wood and cotton are ^{non} factor inputs whereas labour and capital are factor inputs.

Characteristics of factors of Production :-

- (i) Factors of Production may differ in their relative importance, but they need to be used together in producing various commodities. One single factor cannot produce anything.
- (ii) They are tangible resources. You can see, touch and handle them.
- (iii) An important characteristic of factors of production is that it is the services of factors rather than factor itself that contributes to production.
- (iv) All factors of production are not equally mobile - labour, capital and Entrepreneur are mobile as they can be transferred from one place to another. On the other hand, land is immobile as it cannot be transferred from one place to another.
- (v) Factors of production are not demanded directly by consumer for their own consumption. These are demanded for production of other commodities. For example, a tailor or sewing machine are not directly needed by a consumer but are required for the stitching of

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Shirt which is required by the customer

Four Factors of Production:

(i) Land! In everyday usage by 'land' we mean the surface of the earth. But in economics, "land means not only the upper surface of the earth, but all those free gifts of nature, the supply of which can be regulated"

(ii) labour!-

All type of human work whether physical or mental done with a view to earn income is known as labour.

Any work done for love and affection such as teacher teaching his/her own child, lady cooking food for the family is not labour.

labour which involves mainly physical effort and very little mental effort is categorised as physical labour. For example coolie, sweeper, carpenter etc. labour which requires mainly mental and intellectual effort is categorised as Mental labour. For example teacher, lawyer, doctor etc.

(iii) Capital! Capital refers to those man-made durable goods that are used as input to produce other goods and services in the future. For example, plant and machinery, factory building, stock of goods etc.

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(iv) Entrepreneur:-

Land, labour and capital are natural, human and material means of production. But these cannot produce anything at their own until someone brought these factor of production together and use them in a right proportion. This function is performed by the Entrepreneur. Entrepreneur is one who contributes capital, controls and organises the business and undertakes all the risks of uncertainties in the business.

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

- 1) What is legal Tender Money?
- 2) Explain any two features of Money.
- 3) Define production.

Market:-

In every day usage the word market means a group of shops where the buyers and sellers can engage in transactions of goods and services. It refers to a market place. But in economics the term market is used in a somewhat wider sense. Market refers to the market for a commodity where buyers and sellers establish contact in many ways like face to face, through letters, telephone,

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e-mails, on-line etc. Thus, the existence of a specific place is not necessary.

"Market for a commodity is a system by which the buyers and the sellers establish contact with each other directly or indirectly for purchasing and selling the commodity".

Consumption:

Human wants can be satisfied only by using up goods and services. When goods are consumed, utility in them is either destroyed or lessened.

Thus, "Consumption means destruction or lessening of goods (utility) to satisfy human wants".

Features of Consumption:

- (i) Utility of goods is used in consumption
- (ii) Consumption results in satisfaction of want.
- (iii) Consumption is the beginning and end of all economic activities.

Types/Kinds of Consumption.

- (i) Final Consumption or Direct Consumption
- (ii) Productive Consumption or Indirect Consumption
- (iii) Quick Consumption
- (iv) Slow Consumption.
- (v) Wasteful Consumption.

For explanation refer to page 37

Sustainable Consumption: Sustainable consumption

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is the use of material products, energy and immaterial services in such a way that it minimizes the impact on the environment, so that human needs can be met ^{not} only in present but also for future generations.

Economy:-

In economics, the word 'economy' refers to production activities of a well defined area or region. It may be a village, a district, a state, a nation or the whole world. The sum total of all production units of a region like factories, farms, mines, banks, schools, colleges, shops, transport system etc. are collectively called an economy.

"Economy is a system by which people get a living (i.e. earning of income) and satisfy their wants".

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

- Ques 1. What is Market?
1. Define labour.
 2. Explain any two types of Consumption.
 3. Explain the features of factors of production.