

STUDY MATERIAL

VIVEKANANDA COLLEGE

THAKURPUKUR

NAAC ACCREDITED GRADE—'A'

Subject: Economics

(For B.Com 1st Semester Students Under CBCS System)

Topic: INTRODUCTION OF ECONOMICS -
NATURE & SCOPE OF ECONOMICS

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INTRODUCTION

The word “**ECONOMICS**” originates from the Greek word “ **OIKONOMIKOS**”

- “Oikos” which means “House”
- “Nomos” which means “ Management”

So we can say Economics means “**House of Management**”

MAJOR DEFINITION OF ECONOMICS

Wealth definition - as a science of wealth .

(by Adam Smith)

- Criticism :**
- i) Ignored the higher values of life.
 - ii) Narrow concept of wealth (material goods)

Welfare definitions

(by Marshall, Pigou)

- **Study of mankind**
- **Income earning and income spending activities of mankind.**
- **Material welfare.**

- Criticism :**
- i) restricts scope of economics to social science .
 - ii) Welfare cannot be indicated in objective terms.

Scarcity definition : This emphasises -

- **Unlimited wants.**
- **Scarce means**
- **Alternative uses of means**
- **Choice.**

- Criticism :**
- i) Brings out the root cause of economic problem.
 - ii) It emphasises on universal nature of the problem.
 - iii) Regards economics as human as well as social science.

Growth – oriented Definition : It emphasises -

- **Problem of choice**
- **Increase of want and resources**
- **Universal nature of economic problem**

ECONOMICS – as a SCIENCE or an ART

SCIENCE :

- Relationship between cause and effect
- Capable of measurement
- Own methodological apparatus.
- Ability to forecast

ART

- A system of rules for the attainment of a given end
- Creativity

ECONOMICS – POSITIVE / NORMATIVE

Positive Economics – What is .

Normative Economics – what ought to be or what should be.

SCOPE OF ECONOMICS

- Dynamic nature
- Vast body of tools and techniques of analysis.
- Help model building.

BRANCHES OF ECONOMICS

❖ MICRO ECONOMICS

❖ MACRO ECONOMICS

❖ MICROECONOMICS

It is that branch of economics which deals with the economic decision making of individual economic agents such as the consumer , the producer etc. It takes into account small components of the whole economy.

❖ MACROECONOMICS

It is that branch of economics which deals with aggregates and averages of the entire economy , e.g., aggregate output, national income , aggregate savings and investment etc . It takes into consideration the economy of any country as a whole.

BASIC PROBLEMS OF AN ECONOMY

- What to produce
- How to produce
- For whom to produce

Latest development

- Are the resources fully utilised.
- Are the resources efficiently utilised
- Is the production capacity growing .

ECONOMIC SYSTEM

It is the sum total of all those device and institutions through which economic choices are made and scarce resources are used for the purpose of satisfying various human wants.

CAPITALISM

- Private property
- The right of inheritance
- Freedom of enterprise and occupation .
- Sovereignty of consumer.
- Price mechanism.
- Competition
- Profit motive

SOCIALISM

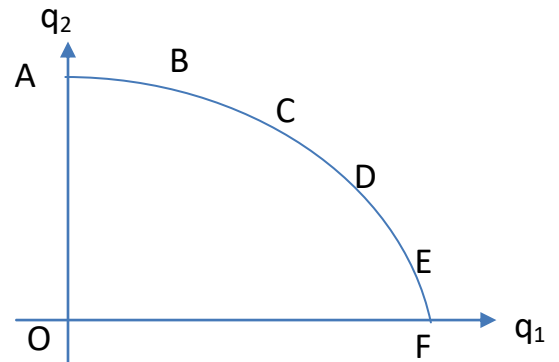
- Economic planning
- Social welfare
- Classless society.
- Economic equality.

MIXED ECONOMY

- Coexistence of public and private
- Economic planning
- Profit motive
- Promotion of social welfare

PRODUCTION POSSIBILITY CURVE

It is the locus of various combinations of the two goods that can be produced with given amount of resources .



OPPORTUNITY COST

The best alternative sacrificed to have or to do something else.

PRICE MECHANISM

Price mechanism is a system where prices are determined by the forces of demand and supply in the market. This system works under –

- i) Free market Economy.
- ii) Command Economy.