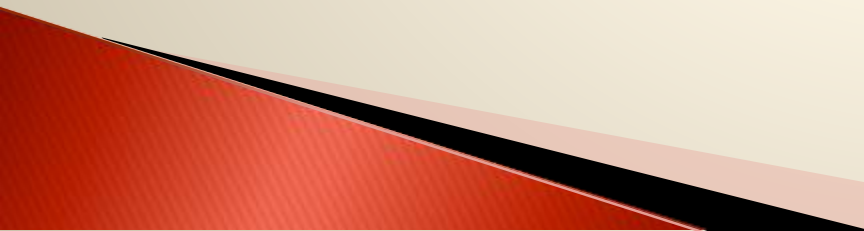


# ECONOMICS : MEANING & NATURE

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# INTRODUCTION

- ❖ Economics is a study of ‘Choices’ or ‘Choice- Making’.
  - ❖ Choice-making is relevant for every individuals, families, societies, institutions, areas, state and nations and for the whole world.
  - ❖ Hence, Economics has wide applications and relevance to all individuals and institutions.
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# Meaning of the word ‘Economics’

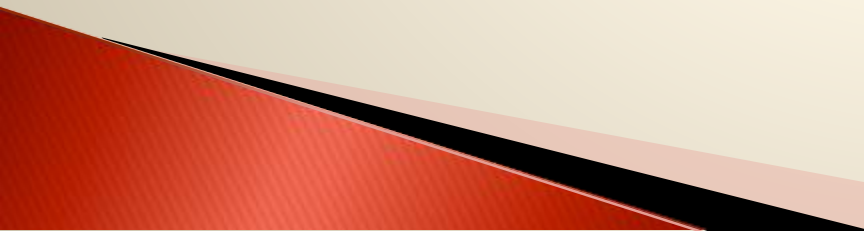
- ❖ The word ‘Economics’ originates from a Greek word ‘*Oikonomikos*’
- ❖ This Greek word has two parts: – ‘**Oikos**’ meaning ‘*Home*’ .
- ❖ ‘**Nomos**’ meaning ‘*Management*’
- ❖ Hence, Economics means ‘*Home Management*’

## **MEANING OF ECONOMICS :**

Economics is that branch of social science which is concerned with the study of how individuals, households, firms, industries and government take decision relating to the allocation of limited resources to productive uses, so as to derive maximum gain or satisfaction.

Simply we conclude that, it is all about the choices we make concerning the use of scarce resources that have alternative uses, with the aim of satisfying our most pressing infinite wants and distribute it among ourselves.

# Evolution in the Definitions of Economics

- A. Wealth Definition (1776) Adam Smith
  - B. Welfare Definition (1890) Alfred Marshall
  - C. Scarcity Definition (1932) Lionel Robbins
  - D. Growth Definition (1948) P.A. Samuelson
  - E. Modern Definition (2011) A.C. Dhas
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## Wealth Definition (1776)

- Adam Smith, who is regarded as Father of Economics, published a book titled ‘**An Inquiry into the Nature and Causes of the Wealth of Nations**’ in 1776.
- He defined economics as “*a science which inquires into the nature and cause of wealth of nations*”.
- He emphasized the production and growth of wealth as the subject matter of economics.

## Welfare Definition (1890):

- In 1890, Alfred Marshall stated that “*Economics is a study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of material requisites of wellbeing*”.
- It is on one side a study of wealth; and on the other side, a study of human welfare based on wealth.



## Scarcity Definition (1932)

- According to Lionel Robbins: *“Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses.”*
- He emphasized on ‘**choice under scarcity**’. In his own words, *“Economics , is concerned with that aspect of behaviour which arises from the scarcity of means to achieve given ends.”*

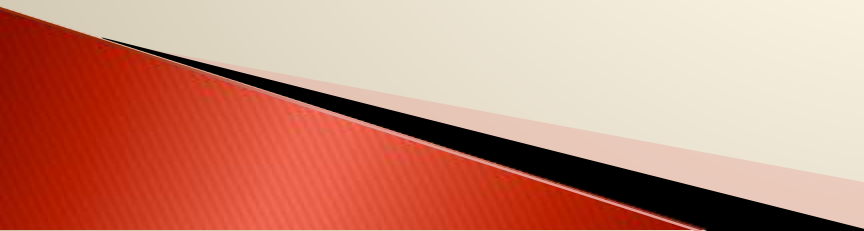
## Growth Definition (1948)

- According to Prof. Paul A Samuelson “*Economics is the study of how men and society choose with or without the use of money, to employ the scarce productive resources which have alternative uses, to produce various commodities over time and distribute them for consumption now and in future among various people and groups of society. It analyses the costs and benefits of improving pattern of resource allocation*”.
- This definition introduced the dimension of growth under scarce situation.

# Modern Definition of Economics (2011)

- According to Prof.A.C.Dhas, “*Economics is the study of choice making by individuals, institutions, societies, nations and globe under conditions of scarcity and surplus towards maximizing benefits and satisfying their unlimited needs at present and future*”.
- In short, the subject Economics is defined as the “Study of choices by all in maximizing production and consumption benefits with the given resources of scarce and surplus,

## CONCLUSION:

- ❖ The core of economics is 'Choices'
  - ❖ The fundamental economic activities are production and consumption
  - ❖ The aim of economics is optimizing given resources (both scarce and surplus) and achieving growth.
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# Nature of Economics

## **Economics is a science:**

Science deals with systematic studies that signify the cause and effect relationship. In science, facts and figures are collected and are analyzed systematically to arrive at any certain conclusion.

For these attributes, economics can be considered as a science.

Further, economics helps in integrating various sciences such as mathematics, statistics, etc. to identify the relationship between price, demand, supply and other economic factors.

However, economics is treated as a social science because of the following features:

- It involves a systematic collection of facts and figures.
- Like in science, it is based on the formulation of theories and laws.
- It deals with the cause and effect relationship

## **Economics as an art:**

It is said that “knowledge is science, action is art.” Economic theories are used to solve various economic problems in society. Thus, it can be inferred that besides being a social science, economics is also an art.

Art is a discipline that expresses the way things are to be done, so as to achieve the desired end. Economics has various branches like production, distribution, consumption and economics, that provide general rules and laws that are capable of solving different problems of society.

Therefore, economics is considered as science as well as art, i.e. **science in terms of its methodology and arts as in application**. Hence, economics is concerned with both theoretical and practical aspects of the economic problems which we encounter in our day to day life.





THANK  
YOU