


SS1 Economics – Week 1

Topic: Meaning of Economics and Related Concepts

1. Definition and Scope of Economics

Definition of Economics

Economics is a **social science** concerned with how people **make choices** to use limited (scarce) resources to meet their **unlimited wants and needs**.

 In real life, we cannot have everything we want because resources (like money, time, land, etc.) are limited. Economics helps us make wise decisions.

Popular Definitions by Economists:

1. **Adam Smith (Father of Economics)** – Defined economics as the science of **wealth creation**.

“An inquiry into the nature and causes of the wealth of nations.”

Focus: Wealth and how nations become rich.

2. **Alfred Marshall** – Focused on **human welfare**.

“A study of mankind in the ordinary business of life.”

3. **Lionel Robbins (1932)** – Gave a modern definition.

“Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.”

Focus: Scarcity, choice, and opportunity cost.

Scope of Economics

The **scope** refers to the areas or branches economics covers. There are two major branches:

A. Microeconomics

- Deals with **individual units** like consumers, producers, firms, and markets.
- Focuses on **demand and supply, price, production, and consumption**.
- Example: Why did the price of tomatoes increase in Lagos?

B. Macroeconomics

- Deals with the **entire economy** or nation.
 - Focuses on **unemployment, inflation, national income, economic growth**, etc.
 - Example: How does the government control inflation in Nigeria?
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Other Areas in the Scope of Economics:

- **Production** – How goods and services are created.
 - **Distribution** – How income and goods are shared.
 - **Exchange** – Buying and selling of goods.
 - **Consumption** – How goods and services are used.
 - **Public Finance** – Government revenue and expenditure.
 - **International Trade** – Buying and selling between countries.
 - **Economic Development** – How to improve the standard of living.
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2. Importance of Economics

Economics is very important to **individuals, governments, and society** at large. Here's how:

A. Helps Individuals Manage Resources

- Teaches how to **budget**, spend wisely, and save.
- Helps people choose between **needs** (essential) and **wants** (not essential).

Example: A student choosing between buying data or snacks.

B. Assists Government Decision-Making

- Guides policies on **taxation, employment, education, and health**.
- Helps control **inflation** and reduce **poverty**.

Example: The government using subsidy to reduce fuel prices.

✓ C. Improves Business Decisions

- Helps businesses decide:
 - What to produce?
 - How much to produce?
 - What price to charge?
- Prevents wastage and maximizes profit.

Example: A bakery deciding how many loaves of bread to bake daily.

✓ D. Encourages Efficient Use of Resources

- Prevents waste and ensures **optimal use** of land, labour, capital, and entrepreneurship.
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✓ E. Supports Economic Planning and Growth

- Helps national development.
 - Used in designing **development plans**, like Nigeria's Vision 2020.
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✓ F. Raises Awareness of Economic Issues

- Educates people on:
 - Exchange rates
 - Government budgets
 - Interest rates
 - Unemployment
 - Fuel subsidies
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■ 3. Methodology of Economics

Methodology refers to the **ways or methods used** in studying economic problems.

There are two major approaches:

✓ A. Positive Economics

- Deals with facts.
- Describes **what is** happening or has happened.
- It is **objective**, not based on opinions.

Example: “The inflation rate in Nigeria is 24%.”

✓ B. Normative Economics

- Deals with opinions and suggestions.
- Describes **what ought to be**.
- It is **subjective**, based on values or beliefs.

Example: “The government should increase the minimum wage.”

✓ C. Tools and Techniques Used

- **Data Collection** (surveys, questionnaires)
- **Statistical Analysis**
- **Use of Models and Diagrams** (like demand and supply curves)
- **Hypotheses and Theories**

Example: Law of Demand – “The higher the price, the lower the quantity demanded.”

■ 4. Economics as a Science

✓ Why Economics is a Science:

Though it deals with people, economics is still considered a **science** because:

1. **Systematic Study** – It observes patterns and draws conclusions.
2. **Use of Theories and Laws** – e.g., Law of Demand and Supply.
3. **Prediction** – Economists make forecasts about inflation, unemployment, etc.
4. **Empirical Evidence** – Uses data to support claims.

⚠️ But economics is a **social science** (not a natural science like physics) because it studies **human behavior**, which can change.

✅ **Differences Between Economics and Natural Sciences:**

Feature	Economics (Social Science)	Physics/Chemistry (Natural Science)
Focus	Human behavior and society	Natural phenomena and laws
Certainty	Less exact (humans are unpredictable)	More exact (based on fixed laws)
Testing in Lab	Not possible	Possible
Tools Used	Data, observation, models, theories	Experiments, formulas, lab tests