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DEFINITION

1.01 | Introduction

ভূমিকা

Economics is a social science which studies about human wants and their satisfaction. Human wants are unlimited. So scarcity is the fundamental fact of life. As all wants are not of equal importance, this leads to choice. Economics is the science of choice. As there is scarcity of goods, we have to pay a price for them. So, economics studies about the pricing process. And, as prices are paid in money, we study about the part played by money in the economic life of a society. We study how people get and spend money, how they earn a living and how it affects their way of life and so on. All the scarce goods which satisfy our wants are known as wealth. So, in economics, we study about the production of wealth, exchange of wealth, distribution of wealth and consumption of wealth. As wealth is produced to promote human welfare, we study the relationship between wealth and welfare.

✓ 1.02 | Definition of Economics

অর্থনীতির সংজ্ঞা

The word 'Economics' originates from the Greek work 'Oikonomikos' which can be divided into two parts:

- (a) 'Oikos', which means 'Home', and
- (b) 'Nomos', which means 'Management'.

Thus, Economics means 'Home Management'.

These definitions of Economics can be classified into four groups:

1. Wealth definitions,
2. Material welfare definitions,
3. Scarcity definitions, and
4. Growth-centered definitions.

Microeconomics

1. **Wealth definitions** (সম্পদ সংজ্ঞা): Adam Smith, founding father of modern Economics, defined Economics as the study of the nature and causes of nations' wealth or simply as the study of wealth.
2. **Material welfare definitions** (উপভোগ সম্পদের সংজ্ঞা): According to Alfred Marshall, "Economics is a study of man in the ordinary business of life. It enquires how he gets his income and how he uses it."
3. **Scarcity definitions** (সম্পদের সংজ্ঞা): In 1932 Prof. Lionel Robbins gave a definition which has become one of the most popular definitions of Economics. According to Robbins, "Economics is a science which studies human behavior as a relationship between ends and scarce means which have alternative uses".
4. **Growth-oriented definitions** (বৃদ্ধির সংজ্ঞা): Professor Samuelson writes, "Economics is the study of how people and society end up choosing, with or without the use of money, to employ scarce productive resources that could have alternative uses to produce various commodities over time and distributing them for consumption, now or in the future, among various persons or groups in society. It analyses costs and benefits of improving patterns of resource allocation". A large number of modern economists subscribe to this broad definition of Economics.

In short Economics is the social science that studies economic activities.

What is Economics?

BBA (Professionals) 2008

1.03 Nature of Economics - Science or Art অর্থনীতির প্রকৃতি - বিজ্ঞান অথবা কলা

1. **Economics as a Science:** Economics is a science as it is a branch of knowledge where various facts have been systematically collected, classified and analysed. Economics is also a social science since its subject matter is man, who cannot be controlled and predicted.

Economics is different from physical sciences like biology and chemistry where, experiments can be conducted in the laboratory under controlled conditions. Relationships are traced between cause and effect, based on facts. Observations

can be made and used to prove or disprove theories. The results apply universally. In economics, experiments cannot be conducted in laboratories. Its laboratory is the economy at large where conditions cannot be controlled. Results of economics do not apply universally. Even though Marshall maintains that laws of Economics are like the law of tides rather than the law of gravitation, economics is accepted as a science.

2. **Economics as an Art:** Art is totally different from science. Art directs us or proposes hypotheses. Art is defined as a set of rules for the achievement of a given objective. Economics is an art in the sense that it has several branches which gives practical direction to solve economic problems of the society.

3. **Economics—Both a Science and an Art:** Economics is both a science and an art. Art cannot be separated from science or scientific knowledge. Economics is scientific in its methodology and artistic in its application. As Samuelson puts it, "Political economy can be described as the oldest of the arts and the newest of the sciences—indeed the queen of social sciences."

Is Economics Science or Art?

1.04 Positive and Normative Science ইতিবাচক ও আদর্শ বিজ্ঞান

1. **Economics as a Positive Science** (ইতিবাচক বিজ্ঞান হিসেবে অর্থনীতি): Positive economics deals with what is or how an economic problem facing a society is actually solved. Prof. Robbins held that economics was purely a positive science. According to him, economics should be neutral or silent between ends, i.e., there should be no desire to learn about ethics of economic decisions.

In other words, in positive economics we study human decisions as facts which can be verified with actual data. Examples of positive economics are:

Verified

- a) Bangladesh is an overpopulated country.
- b) A fall in the price of a good leads to a rise in its quantity demanded. (✓)
- Prices have been rising in Bangladesh.
- c) Minimum Wage Law increases unemployment.
- d) A profit maximising firm will set its price where marginal revenue is equal to marginal cost.
- e) Air is a mixture of gases.
- f) Increase in real per capita income increases the standard of living of people.

2. Economics is a Normative Science (অনুর্ন বিজ্ঞান হিসেবে অর্থনীতি): Normative economics deals with what ought to be or how an economic problem should be solved. Alfred Marshall and Pigou have considered the normative aspect of economics. They maintain that economics is a normative science as it prescribes that course of action which is desirable and necessary to achieve social goals.

In other words, in normative economics there is no reservation on passing value judgement on moral rightness or wrongness of things. Normative economics gives prescriptive statements. Examples of normative economics are:

- a) Government should guarantee a minimum wage for every worker.
- b) Government should stop Minimum Support Price to the farmers.
- c) Bangladesh should not take loans from foreign countries.
- d) Bangladesh should spend more money on defence.
- e) Rich people should be taxed more.

What do you mean by Positive and Normative Science?

1.05 Differences between Positive and Normative Economics

ইতিবাচক ও আনুর্ন অর্থনীতির মধ্যে পার্থক্য

The differences between positive and normative economics are given below.

Positive Economics	Normative Economics
1. It expresses what is.	1. It expresses what should be.
2. It is based on cause and effect of facts.	2. It is based on ethics.
3. It deals with actual or realistic situation.	3. It deals with idealistic situation.
4. It can be verified with actual data.	4. It cannot be verified with actual data.
5. In this value judgements are not given. It is neutral between ends.	5. In this value judgements are given.
6. It deals with how an economic problem is solved.	6. It deals with how an economic problem should be solved.
7. Economists of positive school are Adam Smith and his followers.	7. Economists of normative school are Marshall, Pigou, Hicks, Kaldor, Scitovsky.
8. Observe these examples: (a) What determines the price rise? (b) Government has adopted policies to reduce unemployment. (c) The rate of inflation in Bangladesh is 6 per cent. (d) Chemistry.	8. Compare these examples: (a) What is a fair price rise? (b) Unemployment is worse than inflation. (c) The rate of inflation should not be more than 6 per cent. (d) Ethics.