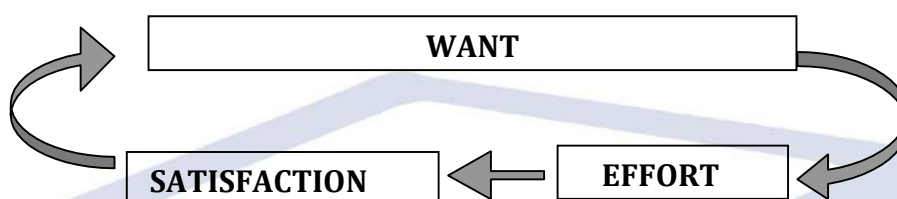




Agriculture Economics

Economics is the science that deals with production, exchange and consumption of various commodities in economic systems.

The science of economics centres on **wants - effort - satisfaction**.



Definitions of Economics:

(A) Wealth Definition:

"An enquiry into the nature and causes of wealth of nations."

Given by Adam Smith.

(B) Welfare Definition:

- 'A study of mankind in ordinary business of life.'
- Given by Alfred Marshall.

(C) Scarcity Definition / Welfare Definition:

- Given by Lionel Robbins.
- According to him, Economics is a Science which studies human behaviour as a relationship between ends scarce means which have alternative uses.

(D) Growth Definition :

- Given by Paul Samuelson
- According to him, the study of how men and society choose, with or without the use of money, to employ scarce productive resource which could have alternative uses.

SCOPE OF ECONOMICS

- Scope means province or field of study

i) Economics - A Science and an Art

a) Economics is a science: Science is a systematized body of knowledge that traces the relationship between cause and effect.

b) Economics is also an art. Economics offers us practical guidance in the solution of economic problems.



ii) Positive and Normative Economics

a) Positive science: Positive science does not indicate what is good or what is bad to the society. It will simply provide results of economic analysis of a problem.

b) Normative science: It makes distinction between good and bad. It prescribes what should be done to promote human welfare.

iii) Methodology of Economics

a) Deductive method: we start from certain principles that are self-evident or based on strict observations. Then, we carry them down as a process of pure reasoning to the consequences that they implicitly contain.

b) Inductive method: This method mounts up from particular to general, i.e., we begin with the observation of particular facts and then proceed with the help of reasoning founded on experience so as to formulate laws and theorems on the basis of observed facts.

iv) Subject matter of Economics:

(A) Traditional Approach-

1. Consumption
2. Production
3. Exchange
4. Distribution
5. Public finance

(B) Modern Approach-

1. Micro Economics

- Microeconomics analyses the economic behaviour of any particular decision making unit such as a household or a firm.
- It studies the behaviour of individual decision making unit with regard to fixation of price and output and its reactions to the changes in demand and supply conditions. Hence, microeconomics is also called price theory.

2. Macro Economics

- Macroeconomics studies the behaviour of the economic system as a whole or all the decision-making units put together.
- Macroeconomics deals with the behaviour of aggregates like total employment, gross national product (GNP), national income, general price level, etc. So, macroeconomics is also known as income theory.



Types of Economy:

(A) Capitalism:

- A system of economic organization characterized by the private ownership and use of capital with profit motive.
- The most important feature of capitalism is the existence of private property.
- Everyone has the freedom to form any firm anywhere he likes, provided he has the requisite capital and ability.
- It is based on the doctrine of Laissez faire which would mean that the state interference in economic activity should be kept down to the minimum.

(B) Socialism:

- Socialism is an economic system in which the means of production {Capital equipment, building and land} are owned by the state.
- The main aim of socialism is to run the economy for social benefit rather than private profit.
- It emphasizes on work according to one's ability and equal opportunities for all regardless of caste, class and intertied privileges.

Communism is a form of socialism.

- Communism means an idealistic system in which all means of production and other forms of properties are owned by the community as a whole, with all members of the community sharing in its work and income.

(C) Mixed Economy:

- It is neither pure capitalism nor pure socialism but mixture of the two.
- In this system, we find the characteristics of both capitalism and socialism.
- Both private enterprises and pubic enterprises operate mixed economic.

Demand

Demand is the quantity of a good that consumers are willing and able to purchase at various prices during a given period of time.

A 'desire' becomes 'demand' only when it is backed up by the ability and willingness to satisfy it.

Types of Demand

(1) Price Demand: It refers to various quantities of good or Service that a Consumer would be willing to purchase at all possible prices in given market at a given point in time, ceteris paribus.

(2) Income demand: It refers to various quantities of a good or service that a consumer would be willing to purchase at different levels of income, ceteris paribus.

(3) Cross demand: It refers to various quantities of a good or Service that a consumer would be willing to purchase not due to changes in the price of the commodity under consideration but due to changes in the price of related commodity.

(4) Derived Demand: Demand for certain goods related with demand for other goods. E.g.- fertilizers, pesticides.