

## Concept of Economics

To define the subject matter and scope of a science is extremely difficult, if not impossible. This is especially so when the science in question happens to be a social science such as economics, which is closely connected with the causes and cures of economic problems.

Previously Economics was known as Political Political Economy but after that it was thought as a separate social science. In the present world all activities which are related to wealth, earning spending, is the subject matter of Economics.

But for any subject it is necessary to define in words. for Economics this task is more difficult. There are various opinions of the economists so it is said "whenever there are six economists there are seven opinions".

This confusion and variation in definitions of Economics can be simplified if we classify it into four parts.

## I Classical View — Science of Wealth

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Early definition is given by Adam Smith in his book "An Enquiry into the Nature and causes of Wealth of Nations."

According to Adam Smith :- "Economics is the science of wealth."

According to J.B. Say :- "Economics is the science which treats of wealth."

Thus in these definitions, a key position was assigned to wealth and man was given secondary position. They were of materialistic view and had ignored idealistic, spiritual and moral aspects of human beings. They have imagined an economic man.

Criticism :- Due to these definitions of classical economists economics was not given an honourable position and it was supposed to teach selfishness.

But soon it was realised that economics is higher than wealth. wealth is only means end is human welfare and modified view was given by later economists.

## Science of Material Welfare

Alfred Marshall and his followers have given a modified view.

II

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Definition :-

Alfred Marshall :- "Political Economy, or 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 the material requisites of well being."

In the above definition emphasis is given to material welfare. All economists of this period are of the view that economics is <sup>to</sup> the study human activities which are conducive to human welfare in its material aspect.

In this definition it is clear that -

1. Economics is the study of mankind in the ordinary business of life (not of wealth). They shifted the aim of economics from being a study of wealth to study of man.
2. Economics is a social science which studies persons living in society influencing other people and being influenced by them.
3. Economics studies only material requisites of well being or causes of material welfare.
4. They have limited the scope of economics by stating that those forces which subject to measurement in terms of money enter into its study.

Criticism:- Lionel Robbins attacked on the Marshallian view. He has criticised on his view as - It is not right to limit their attention to the study of material welfare because the actual study of economics principles are both material and immaterial. For example theory of wages today if ignores those amounts which are paid for immaterial ends would be intolerable. Robbins says economic activity at one time may be termed as conducive to material welfare and at the other it may not be conducive to material welfare. Then Robbins had given his own view.

## III

Science of Scarcity or Science of Choice

In face of the above defects in Marshall's definition Robbins has put forth his own view.

Definition:-

L. Robbins:- "Economics is the Science which studies human behaviour as a relationship between ends and scarce means which have alternative uses".

Main points of Robbins definitions are:-

1. There are innumerable ends which a man has to serve in his lifetime.
2. Besides the innumerable ends, these ends are of different importance. Some ends appear to be more important than others.

3. The time or means of achieving ends are limited.
4. These means are capable of alternative uses.

This scarcity of means give rise to the problem of choice and selection. A problem of choice is an economic problem. Robbins widened the scope of economics.

Criticism:- Like all other definitions it is more appropriate but was criticised on these grounds:-

1. Robbins has offered an extremely wide and extensive definition and it will be difficult to draw a demarcating line between economics and other social sciences.
2. Some economists have made doubts over the distinction between means and ends. An act may be means at one particular time can become end at other time.

Then modern view was given by later economists-

#### IV Modern View - Growth Oriented View

The credit for bringing about a revolution in economic thinking goes to late Lord Keynes. According to Keynes:- Economics studies how the levels of income and employment in a community are determined. Theory of economic growth has come to occupy an important place in Economics. How the national income grows. Thus a study of economic growth and stability forms an important part of the study of Economics.

### Definition:-

Samuelson:- "Economics is the study of how man and society choose, with or without the use of money to employ scarce productive resources, which could have alternative uses to produce various commodities over time, and distribute them for consumption now and in the future among various people and group in society."

This definition point out -

1. gives dynamic view to economic science
2. Time element is included in production and consumption.
3. Science of choice

In modern view today means sustainable growth so that today and for the future consideration should be given.

In this way today economics study is totally different than what was thought in the past. It is a gradual development, made in the view definitions on the basis of requirement of time, and modifications are made in the views.

## Scope of Economics

Scope of economics clarifies what we study and how to make study in this subject. It can be looked in two ways.

Classical view - These economists are of the view that all types of economic problems we can study in five parts. These are:

Consumption :- In consumption study includes wants, their origin, nature, consumption laws, how to get maximum satisfaction of wants out of expenditure. Econ thus begins and ends with consumption.

Production :- In this part study included factors of production, their characteristics, production laws, production function, different types of costs of production and problems related with production.

Exchange :- In primitive stage of self sufficiency men consumed what was produced. Exchange was very limited and as human society advanced it was realised that a man cannot be skilled in all trades so he has to do exchange for other commodities which he cannot produce. In exchange we study market structure, how price is determined in different market, study of money, banking, transport trade etc.

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4. Distribution:- In this part the study is made of what to distribute. The answer is national income. Output is produced by factors of production is to be distributed among them. Under distribution we study various agents of production, how the share of each of them will be distributed.

The scope of economics according to modern economists is divided into two parts.

1. Micro Economics 2). Macro Economics.

An economic system may be looked at as a whole or in terms of its innumerable units

Micro Economics:- Micro economics studies the decision making behaviour in individual level. Micro Eco is the microscopic study of the elements of economic system. It studies how individuals make choices to determine what to produce, how to produce, for whom to produce. It studies how consumers and producers make their choices, how their decisions choices affect the demand and supply conditions, how consumers producers settle prices of goods and services in market. How prices are determined in different market conditions, how total output is distributed among whom those who contributed to production

It makes a systematic study of individual choice making behaviour (individual household, firms, govt, land, labour, Capital, cost, factor pricing, allocation of output etc -

Definition:- "The branch of economics that analyses the market behaviour of individual consumers and firms in an attempt to understand the decision making process of firms and households and concerned with the interaction between individual buyers and sellers focuses on pattern of supply and demand in individual level ."

Macro Economics:- is the study of economy as a whole including growth in incomes, changes in prices, the rate of unemployment. Macro economists attempt both to explain economic events and to devise policies to improve economic performance. Macro economics means large branch of economics dealing with performance, structure, behaviour, decision making of economy as a whole rather than individual market. This include national, regional, global economies.

Definition:- "It is a field of economics which studies the behaviour of aggregate economy such as changes in unemployment, national income, rate of growth, gross domestic product, inflation and price level."

Macro economists attempt to explain economic events and decision derive policies, to improve economic performance, study structure behaviours, decision making as a whole. It studies the problems of general price level demand and supply, causes of fluctuations to ensure maximum level to income and employment, analyse chief determinants of economic development stages of economic growth.  
(Chart of Difference which I have already given to be added here (Micro, Macro))

Micro and macro both methods have their importance and both are needed for different studies of different economic problems to derive accurate decisions.

Now what is <sup>scope</sup> the nature of study of economics we have to analyse whether it is a science or an art.

Now while discussing the scope the other thing which is also important that is whether Economics is a science or an art. The answer is economics is both science and an art, since it has both the theoretical and applied aspects, it is both light-giving and fruit bearing.

Economics is a Science :- Some economists are of the view that economics is a science. The term science refers to make a systematic study of knowledge. Economics is a science as it makes systematic study of economic problems. It collects the data, <sup>and</sup> makes a survey, analyse data and draw the conclusions.

There are two type of sciences positive science and normative science. Economics is both Positive and Normative Science. Positive science studies the present condition or what is. It deals with relation between cause and effect. Economics is a positive science. It surveys entire field and establishes relationship between cause and effect. for example ① If the price goes up demand goes down ② Labour is less in number increases efficiency and wages.

Normative science means which lays down the ideals which is to be achieved. It discusses what is desirable and should be realised and practiced. It deals with what should be.

Economics is a normative science as it is concerned with what should be done. What should be achieved, it is concerned with the ideals. Suggestions given by the economists are given consideration. It has moral and ethical aspect. Normative respond with perfect logic. Justice is given importance. So it is right to say economics is both positive and normative science both.

Economics is an art also, since it has both the theoretical and applied aspects.

Art refers to the application of knowledge to solve economic problems practically. According to Keynes "An art is a system of rules for attainment of a given end."

There are pure economic problems like problem of Bank Rate, Interest rate, money market etc. Some problems like unemployment, poverty, prohibition are also studied and solved with the suggestions of economists.

So it is right to say that economics as a science that forms the basis of an art. So some economists called it as Applied Science.