

Introduction to Economics, Definition, Its Importance for Engineers



Economics:

Economics is derieved from two words.

Oikos - Household

Nemain- Management (To manage)

It means “Household Management”

Different Definitions Of Economics

WEALTH DEFINITION

A light blue downward-pointing arrow connects the 'WEALTH DEFINITION' box to the 'WELFARE DEFINITION' box.

WELFARE DEFINITION

A light blue downward-pointing arrow connects the 'WELFARE DEFINITION' box to the 'SCARCITY DEFINITION' box.

SCARCITY DEFINITION

A light blue downward-pointing arrow connects the 'SCARCITY DEFINITION' box to the 'GROWTH DEFINITION' box.

GROWTH DEFINITION



Adam Smith (1723-1790)

“An Enquiry Into Nature & Causes Of
The Wealth Of Nations” (1776)

Emphasis on Wealth, ‘Invisible Hand’,
Laissez Faire

“Economics is an enquiry
into the nature and causes
of wealth of nations”

Features of Wealth Definition

- Characteristics:

It takes into account only material goods

Exaggerated the emphasis on wealth

It inquires the caused behind creation of wealth

- Criticisms:

It considered economics as a dismal or selfish science.

It defined wealth in a very narrow and restricted sense.

It considered only material and tangible goods.

It gave emphasis only to wealth and reduced man to secondary place.



Alfred Marshall(1842-1924)

‘Principles Of Economics’(1890)

Welfare, Social Man, Classificatory

“Economics is the study of ordinary business of life; it examines the part of individual and social action which is most closely connected with the attainment and with use of material requisites of well being”

Features of Welfare Definition

- Characteristics:

It is primarily the study of mankind.

It is on one side a study of wealth; and on other side the study of man.

It takes into account ordinary business of life – It is not concerned with social, religious and political aspects of man's life.

It emphasises on material welfare i.e., human welfare which is related to wealth.

It limits the scope to activities amenable to measurement in terms of money

- Criticisms:

It considers economics as a social science rather than a human science.

It restricts the scope of economics to the study of persons living in organized communities only.

Welfare in itself has a wide meaning which is not made clear in definition.



Lionel Robbins(1898-1984)

‘An Essay On Nature & Significance
Of Economic Science’(1932)

- Scarcity, Unlimited Wants, Analytical

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

Features of Scarcity Definition

- **Characteristics:**

Economics is a positive science.

New concepts: Unlimited ends, scarce means, and alternate uses of means.

It emphasizes on Choice – A study of human behavior

It tried to bring the economic problem which forms the foundation of economics as a social science.

It takes into account all human activities.

- **Criticisms:**

It does not focus on many important economic issues of cyclical instability, unemployment, income determination and economic growth and development.

It did not take into account the possibility of increase in resources over time.

It has treated economics as a science of scarcity only.



Paul A. Samuelson(1915-2009)

“Economics: An Introductory Analysis”(1948)

Economic Resources, Full utilization of resources

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, it produces various commodities over time & distributes them for consumption, now or in the future, among various persons & groups in society. It analyses costs & benefits of improving patterns of resource allocation'

Economics?

Economics is the branch of knowledge, deals with production of wealth for the welfare of society by using limited resources effectively and efficiently to fulfill unlimited wants of humanbeing, which ultimately leads to Economic growth and Development.

Why Economics for Engineers?

Relation between Economics and Engineering:

1. Mechanisation of Production processs.
2. Infrastructure development.

Why Economics for Computer Science students?

- To manage the Production and development process of an organisation.
- Use Concepts of Economics in making business decisions.
- To know about various policies.
- To know about budget and compute the finance and formulate budget.
- helps to develop idea of software according to public demand.
- Data presentation.
- Online trading and E-commerce .

Divisions of Economics

MICRO ECONOMICS:

- It deals the economic behaviour of the individual units such as consumers, firms, the owners of factors of production etc.
- Specific
- Theory of Demand, supply, production, cost, price etc.

MACRO ECONOMICS:

- It deals with the economic behaviour of the whole economy or its aggregate such as Government, Unemployment, business, inflation etc.
- General
- Refers to management of Income, expenditure, resource of a nation.