

## Chapter-1 Meaning And Definition Of Economics

### Short question – Answers

Ans.1 According to **Alfred Marshall's definition** – Economics is a study of man in the ordinary business of life. It enquires how he gets his income and how he uses it.

Ans.2 **Adam Smith's definition** is the study of the nature and the causes of nations' wealth.

### Long Questions – Answers

Ans.3 **Similarities between Marshall's and Robbins' definitions are :**

(i) **Importance of man-** Marshall considered Economics was a study of man. Robbins talked about man's unlimited wants. In both the definitions, man was the centre of attention.

(ii) **Material well-being-** In both the definitions. Economics was concerned with this particular aspect of man's welfare. Spiritual satisfaction or psychological issues were kept outside the purview of Economics.

**Dissimilarities between Marshall's and Robbins' are :**

(i) **Normative and positive science-** According to Marshall normative science means the task of Economics was to lay down norms or rules, (which an economic system was to follow) for maximising human welfare. Robbins considered Economics to be a positive science. Its job was to describe how an economic system actually allocated resources .

(ii) **Policy orientation clearer in Marshall-** Marshall considered Economics as a normative science. So he was more concerned with the formulation of economic policies that the Government should follow in order to improve the working of the economic system. Robbins was less concerned with the policy aspects of Economics.

## **Ans.2 Characteristics of wealth definitions :**

(i) **Exaggerated emphasis on wealth-** Wealth centred definitions gave too much emphasis to the creation of wealth in an economy i.e. economic prosperity of any nation depends only on the accumulation of wealth.

(ii) **Inquiry into the creation of wealth-** Economics also deals with an inquiry into the causes behind the creation of wealth. For example, wealth of the nation may be increased through raising the level of production and export.

### **Criticism of wealth definitions :**

(i) **Human welfare neglected-** The wealth-centered definitions have given too much emphasis on the accumulation of wealth. However, these definitions have neglected. For instance, inequality in the distribution of wealth cannot raise human welfare.

(ii) **Narrow definition of wealth-** In wealth-centered definition, wealth has been narrowly defined to include only material goods. But wealth also includes some non-material goods or services.

## **Exercises – Answers**

### **Ans.1 Feature of the modern growth-oriented definition :**

**Dynamic allocation of consumption-** Economics is concerned with the pattern of consumption, not only now but also in the future. Thus the problem of dividing the use of income between present and future consumption has been brought within the orbit of Economics.

### **Ans.2 Four main features of scarcity definition :**

(i) **Human wants are unlimited-** The scarcity definition of Economics states that human wants are unlimited. If one want is satisfied, another want crops up. Thus, different wants appear one after another.

(ii) **Limited means to satisfy human wants**- Though the wants are unlimited, yet the means for satisfying these wants are unlimited. The resources needed to satisfy these wants are limited. For example, the money income (per month) required for the satisfaction of wants of an individual is limited. Any resource is considered as scarce if its supply is less than its demand.

(iii) **Alternate uses of scarce resources**- Same resources can be devoted to alternate lines of production. Thus, same resources can be used for the satisfaction of different types of human wants. For example, a piece of land can be used for either cultivation, or building a factory shed.

(iv) **Need for choice and optimisation**- Since human wants are unlimited, so one has to choose between the most urgent and the less urgent wants. Hence Economics is also called a science of choice. So, scarce resources are to be used for the maximum satisfaction (i.e.optimisation) of the most urgent human wants.