

What is Economics | Definitions of Economics

What is the definition of Economics? Economics is a science which studies the Economic life of the people living in a country. We have to analyze the definition of economics which have given below:

What is Economics | Different Definition of Economics

There are three well-known definitions of economics.

1. Definition of economics given by the Classical School of thought led by Adam Smith
2. Definition of economics presented by the Neo-Classical school of thought led by Alfred Marshall
3. Definition of economics by Lionel Robbins

Definition of Economics Adam Smith

Adam Smith wrote a book in 1776 entitled "The wealth of Nations". He discussed the word 'Wealth' through its four aspects i.e. production of wealth, exchange of wealth, distribution of wealth and consumption of wealth.

This clearly means that, according to Adam Smith, Economics is a science of wealth. To analyze this definition, we will discuss the word 'Wealth' and its four aspects. Wealth means goods and services transacted with the help of money.

It is a matter of common observation that the transactions of goods and services (wealth) take place in our day-to-day lives.

But the question is: Why and how is the transaction of goods and services taking place? To know the answer to this question we are required to look into the four aspects of wealth.

1. Production of Wealth

This means the production of goods and services by combining four factors of production i.e. land, labour, capital and organization or entrepreneurship.

The land is the natural resource such as soil, sea, minerals, livestock, forests etc. Labour is the mental or physical work which is done for the sake of reward.

Capital means manmade resources which help to produce goods and services, whereas organization is the act of combining four factors of production to producing and marketing of the goods and services for of profit. Hence, production of wealth means the production of goods and services.

2. Exchange of Wealth

Entrepreneurs usually produce more goods and services. Why they do so? Simply to get surplus produce exchanged in the market with the surplus goods and services produced by others.

The process of exchanging of wealth continues throughout the year and' as a result, people get the goods and produced for each other. This enables everyone in the society to satisfy his multiple wants.

3. Distribution of Wealth

As a result of an exchange of wealth in a fall to a lot of each individual or a section of society is called his or its share in the national wealth produced in a year.

If the share of certain section of a society in the wealth is bigger than that of others this will be the unequal distribution of wealth in

If all sections of the society are enjoying all goods and services being produced in the country.

4. Consumption of Wealth

The ultimate objective of production, exchange and distribution is the consumption of wealth. When people get their share of the national product, they use it to satisfy their wants.

Hence, the using up of the utility of goods and services for the satisfaction of wants is known's as the consumption of wealth.

Thus, from the above explanation of wealth and its four aspects, it becomes clear that Adam Smith held the view that Economics studies the wealth of a nation or the goods and the services available to the society.

Besides this, he also explains as to why and how wealth is produced, exchanged, distributed and consumed.

Definition of Economics by Alfred Marshall

Marshall is a well-known economist. He was behind Smith and for him all the way, approximately hundred twenty years after Smith's book on Economics.

Alfred Marshall wrote a book in Cambridge which was entitled 'Principles of Economics'. Marshall defined Economics as an instrument to remove the doubts of the people.

He stated, "Economics is the study of mankind in the everyday business examines that part of individual and social action which is most closely connected with the attainment and use of the material requisites of well-being"

From the definition, we are able to achieve three main points:

- The ordinary business of life or Economics as a social science
- Attainment and use of material requisites or production and consumption of wealth
- Well-being or welfare of the society

1. The Ordinary Business of Life or Economics as a Social Science

According to Marshall, Economics studies the economic behavior of the people living in society. Economic activities of the people outside the society are not, therefore, considered in the study of Economics.

Hence Economics does not study the isolated individuals or any 'Robinson Crusoe'. By this, he shows that Economics is a social science.

2. Attainment and use of material requisites or production and consumption of wealth

In the ordinary business of life, human beings perform different types of activities such as political activities, sports activities, and economic activities, moral and religious activities.

Of all these activities of ordinary life, Economics studies only those activities which are related to the attainment and use of material requisites or, in other words, the Production and consumption of wealth. So far, he is the same view as that of Adam Smith that Economics is a science of wealth.

3. Well, Being or Welfare of the Society

According to Marshall, the Objective of the study of Economics is to promote the material welfare of the people. To Marshall, Economics focuses on material aspects of life and therefore studies material requisites of well-being.

Hence, according to him, Economics does not regard wealth to be the goal Of all human activities. Instead, it is only a mean to achieve an end and that end is the economic welfare of the people or the raising up of the standard of living of the people, particularly of the poor, so that they may lead a better economic life.

Definition Of Economics by Robbin

Lionel Robbins says, "Economics is the science which studies human behavior as a relationship between (multiple) ends and scarce means which have alternative uses. This definition points the problem of scarcity and choice in the economic life of the people. Three main points definition are:

- Multiple ends
- Scarce means
- Alternative Uses

1. Multiple Ends

Multiple ends mean a limit to wants' and human wants unlimited. They keep on rising or they rise again and again. This means that they do not to an end even if they are satisfied.

For example, we take food in the morning and we need it again in the evening. Same is the case of wants to a radio, T. V. and furniture etc.

We always want to replace them with the new and better ones. Since human wants are unlimited, one is compelled to choose between more urgent and less urgent wants which makes Economics a science of choice.

Hence the multiplicity of ends calls for ceaseless efforts for their satisfaction. Therefore, never-ending cycle of economic activities moves on.

2. Scarce Means

There may be no limit to human wants, but the means to satisfy them are definite. The means of resources can be divided into two parts.

Firstly, the resources in the production sector of the economy i.e. land, labour, capital and entrepreneurship are quite limited because the prices of these four factors of production are determined in the market.

Secondly, the consumer goods and services produced as a result of the combination of the four factors of production are also limited because they are also priced in the market.

This means that resources are limited in the sense that one cannot have as many goods and services as he wishes for the satisfaction of wants.

There is definitely a limit to it. Money incomes represent command on the real resources available in the form of goods and services.

Higher the income, higher will be the availability of real resources and vice versa. Since incomes are always limited, monetary resources are also limited.

3. Alternative Uses

The third point gathered from Robbins definition is the 'alternative' use of resources. What Robbins meant to say is that there are many ways of using the resources.

It is always up to the person concerned to give priority to his/her basic wants.

For example, a person has got \$1000. With this amount of money, he is able to do anything within this limit. He can buy clothes, entertain friends or dine outside with his family.

But, being a rational human being, he will choose the most optimum use of his limited resources. Supposing, he buys clothes only and postpones the fulfillment of all other wants.

This would mean that he has satisfied his want for clothes as an alternative to all other wants which could have been satisfied by an expenditure of \$1000.

This is exactly the way all human beings pass their life. It gives a clear image of the economic life of the people who are always faced with the problem of scarcity of resources and choice between ends and are forced to make the alternative use of resources.

Conclusion

Economics is a social science which deals with the economic thinking of human beings' Human beings are imperfect and so is their thinking. Thus, there cannot be an exact and definition of Economics. One has got to accept the definitions even though they have demerit.