



8. Introduction to Economics



Can you tell?

| Sr. No. | Items | Estimated Expenditure |
|---------|--------------------------------------------------|-----------------------|
| (1) | Daily food | 6,000/- |
| (2) | Buying two sets of uniform | 2,000/- |
| (3) | School stationery | 500/- |
| (4) | Medical expenditure | 450/- |
| (5) | Recreation | 500/- |
| (6) | Mobile Bill | 1,000/- |
| (7) | Vegetables, fruits, etc. | 1,000/- |
| (8) | Public transport (bus, railway, rick-shaw, etc.) | 2,600/- |
| (9) | Electricity Bill | 1,500/- |
| (10) | Tourism | 4,000/- |
| (11) | Bank installments | 3,000/- |
| | Total | ₹ 22,550/- |

Suppose this is your expenditure this month and your monthly income is ₹ 20000. To strike a balance between your income and your expenditure, decide what will be your preferences for expenditure.

Rewrite the table according to your preferences and discuss in class.

(Note to the teachers: Look at the preferences decided by the students and then explain them how management of income and expenditure is done.)

Geographical explanation

After discussion on the above activity, you will realise that management of individual or family finances is mainly related to income and expenditure i.e. economic factors. This led to the birth of economics.

The word 'economics' comes from the Greek word 'oikonomia' which means

'family management'. There is a lot of similarity between family management and economics.

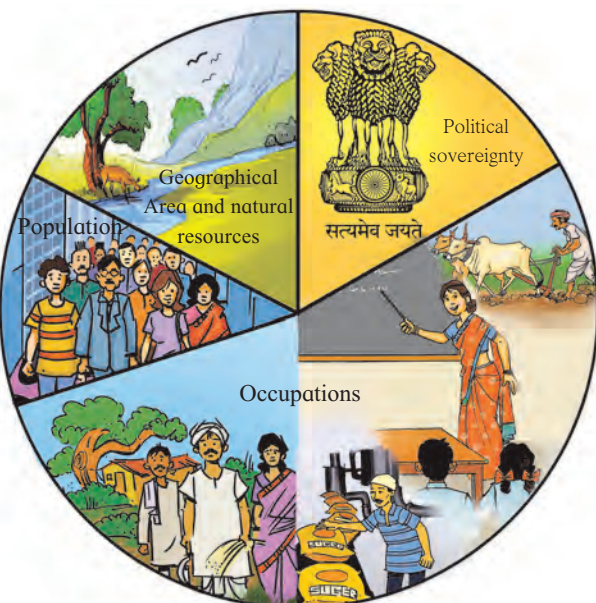
We understand from economics, how to use time, money, labour and land effectively. How to satisfy the infinite needs of the people using various resources is the study matter of economics. According to Lionel Robbins, 'Economics is a science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.'

As we manage the finances of our family, similarly, villages/cities, states, countries and world also need to have economic management. Geographically speaking, the enterprises related to the production, distribution and consumption of goods and services in a specific region is called an economy. On a global level, there are three types of economies.

Types of Economy

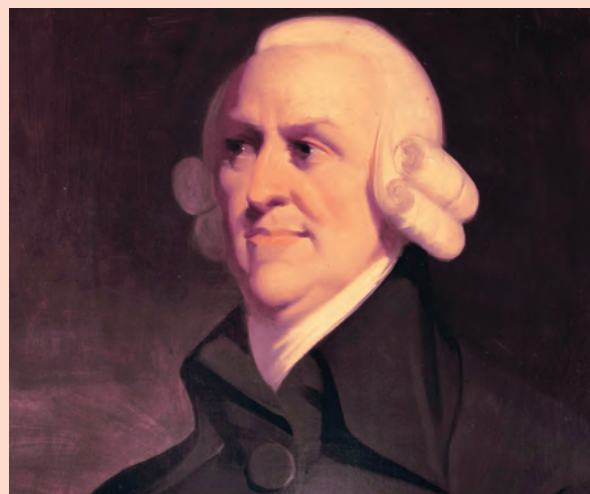
| Capitalistic Economy | Socialistic Economy | Mixed Economy |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> Ownership and management of means of production is in the hands of private individuals. Main aim is to earn maximum profit. Germany, Japan, the USA have adopted such a type of economy. | <ul style="list-style-type: none"> The means of production belong to the society as a whole i.e. the government's control. Main aim is to achieve social welfare. China and Russia have adopted Socialistic type of economy. | <ul style="list-style-type: none"> Co-existence of private and public sectors A balance between profit and social welfare is made. India, Sweden, the UK have adopted this type of system. |

Factors affecting an economy



Do you know ?

Adam Smith is known as the father of economics. In his book, 'Wealth of Nations', published in 1776, he has defined economics as 'the science of wealth'.



Always remember –

- ❖ Economics is an important social subject.
- ❖ We use economics on a large scale in agriculture, trade, finance, administration, law and in our daily life.
- ❖ Economics holds a paramount importance in the social development of humans.

Globalisation of the economy:

The recent economic policies are taking the economy towards globalisation. Globalisation means building a world economy. World economy is a borderless economy in which natural resources, profit, services, capital, labour and technology flow freely across borders of countries.

Globalisation means aligning the country's economy with the world economy. There is free trade and all restrictions on investments are set aside.

The functions of an economy :

Every country has a different economy. Nevertheless, the main functions of economy are similar. Some of the main functions of the economy are as follows :

- ❖ Deciding the product and quantity of its production
- ❖ Minimise the production costs as much as possible
- ❖ Distribution of national income according to social and economic justice
- ❖ Making appropriate provisions for the economic needs of the future.

- ❖ Deciding for whom the goods will be produced.

Thus, an economy strives to create a balance between limited resources and unlimited needs.



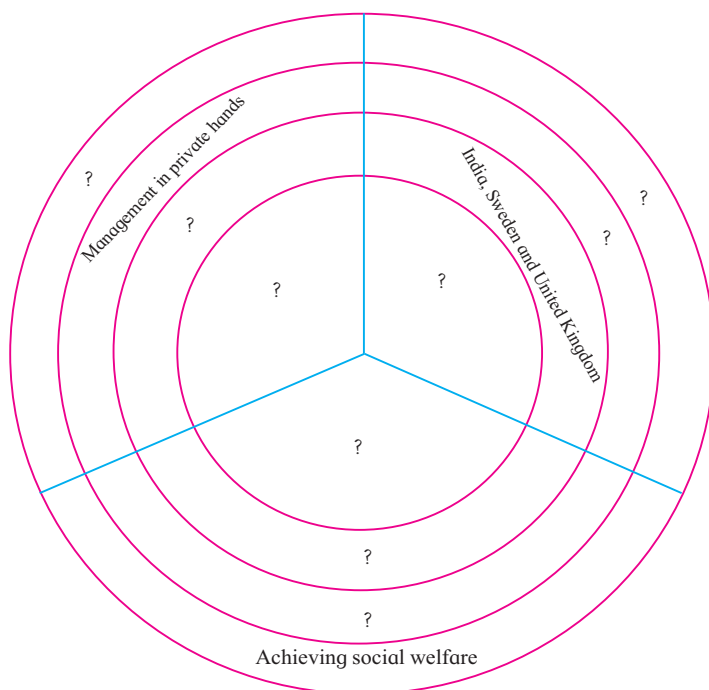
Can you do it ?

Suppose you are the finance minister of an agrarian country. Giving priority to overall development of the country, make a five-point programme.



Exercise

Q (1) Explain the types of economies by filling correct information in the place of questions in the circle.



Q (3) Write the following questions in one line:

- (1) To which economic factor is the management of individual or family finances related?
- (2) From which Greek word is the term 'Economics' derived?
- (3) In capitalistic economy, to whom does the ownership and management of means of production belong?
- (4) What do you mean by globalisation?

Activity:

- (1) Obtain information about the contribution of any Indian economist in Economics and present in the class.
- (2) Consider the income and expenditure of your family and make an account sheet for it.

Q (2) Give an explanation :

- (1) Economy begins at home.
- (2) India's economy is of mixed type.
- (3) On the basis of economies, we can divide countries into three groups.