**Origin of the word ‘Economics**

The word "economics" is derived from a Greek word "okionomia", which means "household management" or "management of house affairs" -i.e., how people earn income and resources and how they spend them on their necessities, comforts and luxuries.

With the passage of time, the word "okionomia" was used for an economy as whole in the sense that how a nation takes steps to fulfill its desires and preferences with the help of scarce means. That's why economics was called political economy in its early ages.

**Definition of Economics:**

From the word ‘okionomia’ the word ’economos’ derived, the meaning of '*eco*' is home and '*nomos*' meaning accounts.

Economics was first read in ancient Greece. Aristotle, the Greek Philosopher termed Economics as a science of ‘household management’.

But with the change of time and progress of civilization, the economic condition of man changes. As a result, an evolutionary change in the definition of Economics is noticed. Towards the end of the eighteenth century **Adam Smith**, the celebrated English Economist and the father of Economics, termed Economics as the ‘Science of Wealth’.

According to him, “Economics is a science that enquires into the nature and causes of the wealth of nations”. In other words, ***how wealth is produced***and ***how it is used***, are the subject-matter of economics.

In the subsequent period Alfred Marshall defined Economics by saying, ‘*Economics is the* ***study of humans****, in relation to the* ***ordinary business of life****. It studies that portion of the* ***personal and social activities****, which are closely related to* ***the attainment of material resources, related to welfare and its utilization****.*’.

In other words, according to Marshall, Economics studies **not only the wealth** but also the **activities centering the wealth.**

In modern times more realistic definitions have been given to economics. In social life human **wants are unlimited**, but the **means to satisfy those wants are scarce**. Economics studies **how to use the limited resources to satisfy the unlimited wants** of men.

According to ***Benjamin Davis***
"Economics is the science that studies how scarce resources are allocated to meet competing and unlimited wants and how human beings satisfy their material wants and needs."

According to ***Bradely R. Schiller***
***"***Economics is the study of **how best to allocate scarce resources among competing uses**.***"***

According to ***Jackson and Mclver***
"Economics is concerned with the efficient use of **limited productive resources** for the purpose of **attaining the maximum satisfaction** of our material wants."

In simple words, economics can be defined as;

"Economics is the study of those natural laws which governs production, distribution and consumption of wealth; in economics we study **individual and social behavior of man which satisfy his desires** and causes overall economic development."

There is no single definition of economics upon which all the economists are mutually agreed. Every definition is criticized by the different economists from different angles. Therefore it is difficult to describe the subject matter of economics in a few words, and proper definition of economics is still a question mark. That's why, perhaps, Keynes was not far wrong when he said "political economy is said to have strangled itself with definitions’’.

**Famous Economists and Their Contributions Adam Smith (1723 - 1790)**

**Nationality:** Adam Smith was a Scottish philosopher and political economist who is widely considered ***‘the father of modern economics’***

**Contribution:** World's first free-market capitalist, for **he explained how―in a free-market economy―rational self-interest led to economic well-being.** He influenced the likes of Karl Marx, John M. Keynes, and Thomas Malthus.

 **Books:** Smith's contribution to economics came in the form of his famous works: **The Theory of Moral Sentiments** (1759) and **The Wealth of Nations** (1776)

**Education:** University of Glasgow, Balloil College, Oxford, UK

**Adam Smith’s Wealth of Nations**

Adam Smith clearly explains why countries  are rich and poor.

*Wealth of nations* explains why some people are wealthy and others are not.

It will answer your questions, why outsourcing, manufacturing coming to China/Bangladesh.

Adam Smith explain individual’s economic behavior with greater clarity than any psychologist.

**Famous Economists and Their Contributions David Hume (1711 - 1776)**

**Nationality:** David Hume was a renowned philosopher and economist hailing from Edinburgh, Scotland.

**Contribution:** Even though he was more of a philosopher, he is regarded as one of the most eminent economists of the world, as **his discussions on politics led to the development of several ideas that are prevalent in the field of economics even today**. He was of the opinion that **foreign trade is a stimulus for economic growth**, and therefore, is very important for the development of the nation.

 Mentor of Adam Smith, the father of economics.

**Books:** A Treatise of Human Nature (1738), Human Understanding (1748)

**Education: University of Edinburgh, Scotland**

**Famous Economists and Their Contributions David Ricardo (1772 - 1823)**

**Nationality:** British political economist.

**Contribution:** Together with James Mill, founded classical economics.

In his *Theory of Profit*, Ricardo stated that **as real wages increase, real profits decrease** because the revenue from the sale of manufactured goods is split between profits and wages. He said in his *Essay on Profits*, "Profits depend on high or low wages, wages on the price of necessaries, and the price of necessaries chiefly on the price of food." He adamantly supported the implementation of free trade and voted against renewal of the sugar duties in Parliament.

**Books:** Principles of Political Economy and Taxation (1817).

**Education:** Homeschool

**Famous Economists and Their Contributions Karl Marx (1818 - 1883)**

Nationality: *German* *philosopher, economist, journalist and revolutionary.*

Contribution: one of the most influential figures in history, **He was of the belief that humans were not motivated by grand ideas**, but by material concerns related to survival. Marx looked at **capitalism negatively** and in his book ‘Das Kapital’ argued that the **capitalist's profits come from exploiting labor**. He predicted the end of capitalism and emergence of communism, where people would own the means of production, and thus, there would be no need to exploit labor for profit.

 Books: Das Kapital (1867), Critique of Political Economy (1859)

 Education: University of Bonn, University of Berlin, Germany

**Famous Economists and Their Contributions** John Maynard Keynes **(1883 - 1946)**

Nationality: British

Contribution: His groundbreaking work in the 1930s led to the development of a whole new economic discipline dedicated to macroeconomics. His economic theories, which became known as ‘Keynesianism’ advocated government intervention to end the Great Depression of 1930s.

Books: ‘The General Theory of Employment, Interest and Money’ (1936), The Economic Consequences of Peace (1919). Indian Finance and Currency (1913)

Education: Eton College, Kings College (Math) University of Cambridge, UK

**Famous Economists and Their Contributions P. A. Samuelson (1915 - 2009)**

**Nationality:** American

Contribution: The Swedish Royal Academies stated, when awarding the prize in 1970, that he "has done more than any other contemporary economist to raise the level of scientific analysis in economic theory". Economic historian Randall E. Parker has called him the "Father of Modern Economics", and The New York Times considered him to be the "foremost academic economist of the 20th century".

 Books: Economics (1948), He is the author of 59 books.

Education: University of Chicago (B.A), Harvard University (Ph.D)

**Scope of Economics**

1. As social science, economics deals with the **economic activities of human being** i.e money earning and money spending activities.
2. Resources are needed to satisfy people’s wants. So, **the availability of resources and their use are important subject matter of economics**. Adam Smith has termed economics as the “Science of Wealth”.
3. People’s wants are unlimited. But the resources to satisfy the wants are scarce. Economics discuss **how men can get the maximum satisfaction** by using the scarce means to satisfy wants on the basis of priority
4. Economics discuss **production, Exchange, distribution, consumption. currency, banking system, public finance, trade** etc
5. Economic discusses the **economic problems and economic activities** and indicates proper solution to these problems. Economics also discusses about the value judgment of human actions and behavior.

**Subject matter of economics with reference to Robbins definition**



We know that human wants are unlimited the wants force us to do economic activity in the form of L.L.K.O. As a result on one hand goods + services are produced and on the other hand rewards in the form of R.W.I and profit. These rewards are the income of the people. With this income or limited resources they purchase goods + services to satisfy their unlimited wants. After getting satisfaction people again force with unlimited wants. The cycle goes on and on. Which truly represents the economic life of the people. Hence it is the subject matter of economics.

**Importance of the Study of Economics**

**In the daily life of people:** People are confronted with manifold wants in their daily life. But the resources to satisfy those wants are limited. By studying economics we can know to use of limited resources to satisfy alternative wants on the basis of priority.

**In the proper use of resources:** We can learn about the use of resources with the knowledge of economics. Study of economics helps us to understand about how to produce the maximum output by the proper use of limited resources.

**In state management:** Politician and Government official need to have proper knowledge of the currency system, banking system, tax system, industrial and trade policy, budgeting etc. The knowledge of economics helps in managing the state affairs.

**To social workers:** To diagnose and solve the problems of poverty, unemployment, illiteracy, excessive growth of population, lack of housing and medical facilities etc.

**To the labor leaders:** For improving their bargaining capacity in respect of the formation of trade unions, the increase of wage and other benefits, the improvement of their working condition etc.

**Acquisition of knowledge of international issue:** The knowledge of economic is necessary to know and understand the socio economic events of different countries, international relationship and commerce etc.

**Three Questions/Problems of economic Organization**

Every society must have to determine what goods are produced, how these goods are made, and for whom these goods are produced. These three fundamental questions of economic organization- what, how and for whom are as crucial now a days.

* **What goods are produced and in what quantities?**

A society must determine how much of each of the many possible goods and services it will make, and when they will be produced. Will we paddy or jute in our field? A few high breed paddy or much local paddy will produce? Will we use scarce resources to produce many consumption goods? Will we produce fewer consumption goods and more investment goods? Every society has to face this type of question or problem, We may call this problem as problem of choice.

* **How are goods produced?**

A society must determine who will do the production, with what resources, and what production techniques they will use. Is electricity generated from natural gas, coal, solar or nuclear power?

* **For whom are goods produced?** One key task for a society is to decide who gets to eat the fruit of the economic efforts. Or how is the national product divided among different households? Are many people poor or rich? Do high incomes go to teacher, Doctor, Businessman or landlords? These type of problem is called to be problem of distribution.