

Economics Notes

Ch. 1. Basics of ECONOMICS

1. Economics

Greek word **okio** — **Namia**
↓ ↓
Household Management

Arthashashtra →
by kautilya / chanakya / Vishnugupta is book of Political science not on Economics.

2. Rise and development of Economics.

- Initially economics used to be called as "Political Economy"
- Aristotle in his book referred it as House Management.
- Considered as part of Arts, Science and human psychology.

3. Adam Smith (scotland)

Known as father of economy cause he wrote a book "**Wealth of Nations**" — 1776 and mentioned market plays "**invisible hand**" role.

4. Different Definitions of Economics.

1. **Adam Smith** :- Economics is the science related to the Nature of wealth of countries and the
2. **J.B** :- "Economics is the science that deals with wealth."
3. **Prof.** :- "Economics is study of economic welfare"

Types of Economics

1. On the basis of **Studying**
2. On the basis of **Development**
3. On the basis of **International trade**
4. On the basis of **Ownership**

1. On the basis of studying

Ragner Frisch defined it in 2 ways

MACRO Economics [Study of many things Collectively]	MICRO Economics [Particular Economic study]
— Unemployment	— Demand
— National Income	— Supply
— Poverty	— Cost
— Population	— Price
— Banking	— Revenue
— Money	— Market

6. Economy vs Economics

- "Application of economics into a particular area is known as **Economy**" or
- area where economics is applied **Economy**

7. Economy types → on the basis of Development.

- Developed
- Developing
- Under development

Development	Growth
↓	↓
Multi dimensional increase	Single dimensional increase

8. Economy Types → On the basis of Int. trade (2 types only)

Int. Trade :- Import & Export

- **Import:** In/Im → Place
- **Export:** Exit → Place

Closed Economy	Open Economy
1. [No Export / No Import]	1. [Export / Import]
2. Restriction on Int. trade	2. No restriction on int. trade
Features:	Features:

Closed Economy	Open Economy
— No impact or less sensitive to int. trade	— Effects of int. trade
— Depends only on Domestic Trade.	— Depends on Domestic as well as Int. trade.

9. Economy Types → On the Basis of Ownership

- **Capitalist economy**
- **Socialist economy**
- **Mixed Economy**

1. Capitalist Economy

Free market economy or Liberal Economy. → Capitalism is there i.e Everyone is free i.e to increase his Profit.

Features:

1. ↑ in private property
2. Profit motive
3. No control on price mechanism
4. Consumer Sovereignty i.e consumer is king
5. Free trade
6. No govt. interference
7. Flexibility in labour market
8. Freedom of ownership

Disadvantages

- Inequalities in income
- Firms can get monopoly over workers and consumers
- Exploitation of resources

Examples: Hong kong, UK, USA, Canada, Australia, Singapore, UAE etc.

2. Socialist Economy :- (Entry of Karl Marx)

"every person is unable to take their own decision & let state do that work."

Economic planning is a key feature of Socialist Economy.

SOCIALISM

People are controlled Avail State allow)

"Economy in which the resources are owned, managed and regulated by the state."

Idea is → All people have similar rights and in this way each and every person can reap the fruits of Planned production.

Features

1. No private ownership of the means of production.
2. Production decision by the government.
3. Price mechanism is not important.
4. Lack of competition
5. Economic equality
6. More work is not rewarded.

Disadvantages:

1. Red Tapism
2. Nepotism
3. Corruption

Karl Marx :- "Das Capitalism" on Socialism (Germany) → Father of Socialism (Modern)

Dual Economy:-

When two different worlds Co-exist i.e existence of Urban and rural, Formal & Informal or Capitalistic & Socialistic.