



Pakistan School
Kingdom of Bahrain

**A warm welcome to all
the students to our
virtual class.**



We are going to start our first online economics class today. I hope we all will enjoy and learn.

❖ Rules for class:

- 1) Be on time for all your classes.
- 2) Respect all the participants of the class.
- 3) Do not create any disturbance,
- 4) Pay attention to your teacher.
- 5) Raise hand if you have a question.
- 6) Entre into the class with your actual name.
- 7) Ask only questions relevant to the topic.

Chapter One

Nature and scope of economics.

Lesson Objectives:

- By the end of this of lesson, students will be able to:
 1. Solve the exercise questions of chapter no.1.

The economic problem

- Economic problem, in essence, is the problem of scarcity & choice.
- It arises out of scarcity.
- And is solved by making choices.
- **“Economics is the study and management of scarce resources”**

Human wants.

- What do you mean by want?
- Certain goods and services are required to meet the requisites of human life. In economics these requisites are called wants.
- Wants are of two kinds:
 - i) Economic wants
 - ii) Non-economic wants

Classification of wants.

- Wants are again classified into necessities, comforts, and luxuries, according to their importance.

Goods & Services

- **Goods**: All material things which are used by human beings to satisfy their wants are called goods for example food, clothes, book, cycle, building etc. Goods are tangible.
- **Services**: Those actions of individuals, which can satisfy other's wants are called services, for example lecture by the professor, examination of patient by doctor etc. Services are intangible.

Classification of goods

- Goods can be classified in many ways e.g. according to use.
- i) Consumer goods.
- ii) Producer goods or Capital goods.

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- ① The power or ability of a good to satisfy a human want is called utility.
 - ① Scarcity means a situation where available resources are insufficient to produce all the goods and services people wish to have.

Early Definitions of Economics

- The classical school of thought;
- The classical school of thought i.e. Adam Smith, N.W Senior, Hills, Malthus and Ricardo have defined economics as,
- “Economics is the science of wealth”

Marshall's Definition of Economics

- ◎ **“Science of material welfare”**
- ◎ Generally this definition is considered to be the finest of all since it encircles man's activities performed by him for earning and spending of his income.

Mr. Robbins definition, the Prof. of London School of Economics:

- Prof. Lionel Robbins gave his definition of economics in his book "Nature and significance of Economic Science" in the year 1932 .He defined economics as,
- **“Economics is the science that studies human behavior as a relationship between ends and scarce means which have alternative uses.”**

Economic Problem (Revisited)

- ◉ Economic problem in essence is the problem of scarcity of resources in comparison with human wants.
- ◉ Scarcity compels us to make choices.
- ◉ The basic economics problem is;
- ◉ What, who, for whom?

Microeconomics and Macroeconomics

- Micro Economics: Microeconomics is the branch of economics that studies small economic units and parts of an economy.
- Major topics included in microeconomics are:
 1. Theory of consumer behaviour.
 2. Theory of prices.
 3. Theory of production.
 4. Theory of firm.

- Macro Economics: Macro economics is the branch of economics that studies the working of the whole economic system as a whole.
- Major topics included in macroeconomics are:
 1. Theory of income and employment.
 2. Money and banking.
 3. Public finance.
 4. International trade.

Methods of deriving economic laws

- ① Deductive method.
- ② Inductive method.

Positive & Normative Economics

- Positive Economics: Positive economics deals with observed economy.
- Normative Economics: Normative economics deals with desired economy.

Plenary

Question & answer session.

**Thank you. See
you in the next
lesson.**