

Economy

In Greek word meaning managing of household

Economics is a social science concerned with the production distribution and consumption of goods and services

Conventional definitions

Adam Smith is considered as “father of Economics”

Wealth of Nation - book written by him in 1776.

He define economy as a creation of wealth for the Nations and it represents the classical Era.

Creation of wealth for their own need.

Alfred marshalls definition of economy represents new classical Era he wrote the book “Principles of Economics”.

Creation of wealth and welfare is important.

It represents the welfare definition of economy.

Robinson's definition represents scarcity definition.

Lionel Robbins explained the human behaviour, also explained the relationship between ends and scarce means.

Samuelson growth definition

It is being accepted in the modern day and widely accepted concept

It indicates goods and services can be produced without exploitation.

New Economic Welfare is given by Samuelson's growth definition

Types of Economics

Microeconomics

Macroeconomics

Microeconomics is a study of individual section

Single/Individual/Family/Organisation/Business

Takes decision based on the resources Though, we have resources - product is chosen on the certain parameters

Example - mask used in the covid 19 scenario

Demand is the amount that the consumers want to buy.

Microeconomics in short,

- Individual
- Effect on price of a good
- Individual labour market
- Individual consumer behaviour
- Supply of good

Macroeconomics in short,

- Whole economy
- Inflation (general price level)

- Employment/ unemployment
- Aggregate demand
- Productive capacity of economy

Sectors of Indian economy

Based on economic activity,

It is classified as

Primary Sector

Secondary sector

Tertiary sector

Quaternary sector and

Quinary sector

Primary sector

Natural resources acquired directly from earth

Example – agriculture, mining, forestry, grazing, fishing, quarries, hunting, gathering

Secondary sector

Manufacturing process to products from earth

Giving and product raw materials into finished products

Example - cotton manufactured into thread thread into dresses, petrol

Tertiary sector

Supports primary and secondary sector Example – Services, Transportation, Storage, Warehouse, Communication

Quaternary sector

Research and Development

Cloud Computing

Information Communication Technology

Quinary sector

Policy making, Decision making

Act as a think tank

Based on organisation

Organised sector

Fixed regular income, insurance, PF (social security)

It has been registered with government Acts under some regulation

Unorganised sector

No security

Seasonal employment, non unionised

Example - Barber etc

Based on ownership

It has been classified into private sector and public sector

Private sector includes

- Sole partnership
- Partnership
- Joint Hindu family
- Co-operative society
- Company as Public Limited Company and Private Limited Company
- Multinational Corporations

Public sector

100% government share or atleast 51%

It is classified into;

Department undertakings

Which are wholly owned by Government
Comes under ministry

Statutory corporations

Created by the special act of Parliament

Wholly owned by Government
Example Neyveli Lignite Corporation

Initial funding by Government
Whole autonomous to another person
Example - LIC

Government Companies

Government companies are registered under Companies Act
Government share - minimum 51%
49% share - running the company
Has highest autonomy by the Board of Directors
Private contract employees
Example - BHEL, GAIL, SAIL

Originally, economy is classified into

	What is produced	How	Distribution
Traditional	Food, shelter, tools	Hunting, gathering, farming	People make their own food
Command (China, Cuba)	Government	Government	Government
Market	Private market	Private (Business, owners)	Person who is willing to pay

Types of economy on the basis of ownership:

- Capitalist
- Socialist and
- Mixed

	Capitalist	Socialist	Mixed
Ownership	Private	Public owned	Private + Public
Motive	Profit	Welfare	Profit + Welfare
Government role	Limited – only regulations	Complete control	Limited
Income distribution	Unequally distributed	Equally distributed	Less unequal
Enterprises	Private	Government	Private + Government
Freedom	Complete freedom	Lack of freedom	Limited freedom
Problem	Inequality	Inefficiency	Inequality and Inefficiency

Types of economy based on development:**Developed:**

- High output and productivity in agriculture and manufacturing
- More GDP
- Good welfare
- Advanced

Developing:

- 3rd world or least developed
- Once they were colonies
- Transiting between agriculture to industry
- Low GDP
- High inequalities
- More infant mortality
- High population
- Less resources