

# **Introduction to fisheries economics, basic economic terminologies – micro and macroeconomics**



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# Economics

- **Economics** is perhaps one of the most important branches of science for it is concerned with human wellbeing. The English term '**Economics**' is derived from the **Greek word 'Oikonomia'**. Its meaning is '**household management**'.
- Although there are several definitions of economics, four are considered relevant and important. They are
  - Wealth definition-Adam Smith
  - Welfare definition-Alfred Marshall
  - Scarcity definition-Lionel Robbins
  - Growth definition-Paul.A.Samuelson

# Wealth definition

- **Adam Smith** is generally considered as the father of Classical economics. He defined economics as the study of the nature and causes of national wealth.
- Adam Smith considered the wealth getting and spending behaviour of human beings as the primary objective of economics. It is called the **wealth definition of economics**.

# Welfare definition

- **Alfred Marshall** gave this definition. He shifted the focus of economics from 'wealth' to 'welfare'.
- Marshall defined economics as, “ the study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment and with the use of the material requisites of well-being ”.

# Micro and macro economics

- The terms micro-economics and macro-economics were first used by the **Swedish economist Ragnar Friesch** in the 1920s.
- **Microeconomics** deals with individuals, households, firms and industries or individual prices, wages or incomes. It studies the economic motives and behaviour patterns of individual consumers and produces involved in organising and operating individual business firms or industries.
- **Macroeconomics** is the study of economic system as a whole, of the aggregate consumption and demand and of the aggregate saving, investment and employment in the economy. It deals with aggregates and averages of the system rather than individual items in it.

# Environmental Economics

- Environmental economics is a branch of Economics that deals with application of economic principles in the conservation and management of nature.
- It is also called as **Natural Resource Economics or Ecological Economics.**

# Positive and Normative Economics

- Positive science is descriptive in nature as it describes what happens. It does with the question of "**what is?**"
- Normative science deals with the question of "**what ought to be?**" While the positive science **describes**, the normative science **prescribes**.
- Economics is a positive as well as a normative science. It describes what happens in an economy and prescribes what ought to be done to put it on a desired path of development.

# Resource Scarcity

- Economic goods have an exchange value and we need to pay for it. They are traded in a market. All goods produced using the four factors of production – Land, Labour, Capital and Management – are generally economic goods as they have a price for them.
- Free goods are the gifts of Nature and do not have a price as they lack exchange value. They are not traded in a market as there is no physical market for the services of free goods. Hence, they are called **non-market goods**.

# Production

- Production is defined as the transformation of one or more inputs into one or more outputs.
- The functional relationship between the inputs used and the outputs obtained is known as production function.

# Significance of Economics

- Economics has great significance to individuals, to the economy, production and supply of goods and services.
- Income, savings, wages, employment, money, banking and inflation are some of the issues that affect people in one way or the other.
- We have unlimited wants but the resources available to satisfy the wants are not only limited but also have alternative uses. So, it becomes a question of choosing wants so as to maximize our satisfaction. With globalization, free international trade is emerging.

# Scope of Economics

- The scope of economics is wide and varied.
- Economics and economists have come a long way since then.
- We find application of principles of economics in business, environment, natural resource management, human resource management, marketing, etc.,
- Thus the scope of economics has become enlarged encompassing many areas of study.

- What happens in trade somewhere may have implications elsewhere, across the world. Poverty reduction and better standards of living are considered priority objectives of development.
- All these aspects are dealt by economics. An understanding of basic economics would be of great use to every one of us to manage our income, savings, investment, banking, trade and consumption.