



learnkwniy

CHAPTER -1

Concept of Economics

And

**Significance of Statistics in
Economics**

BASIC DEFINITIONS

1. Consumer: -A consumer is one who consumer goods and services for the satisfaction of his wants.

2. Seller: - when you sell goods to make profit for yourself, you are seller.

3. Producer: - A producer is one who produced goods and service for the generation of Income:

4. Consumption: - Purchase of goods by consumers to satisfy their various needs is consumption.

5. Production: - Production is the process of Converting raw material into useful things.

6. Service holder: - when you are in job, working for some other person, and you get paid for it, you are called a service holder.

7. Service Provider: - when you provide some kind of service to others for a Payment, you are called a service provider.

8. Economic Activity: - It is an activity which is related to the use of scarce means. Means are always scares in relation to wants.

9. Economic Problem: - It is the problem of choice arising on account of the fact that resources are scarce and these have alternative uses.

10. Economics: - Economics is essentially the study of economic problems which arise out of scarce means in relation to our wants and that the means have alternative uses.

Economics is the study of how people and society choose to employ scarce resources that could have alternative uses in order to produce various commodities that satisfy their wants and to distribute them for consumption among various persons and groups in society.

11. Scarcity: - Scarcity means limited availability of resources in relation to demands. Our wants are unlimited but the resources used in the Production of goods that satisfy our wants are limited and scarce. Scarcity is the root of all economic problem.

CONSUMPTION, PRODUCTION AND DISTRIBUTION

1. Consumption

As consumers, people have limited means, while their wants are unlimited. They have to allocate their given means (Income) on the purchase of different goods and services. So that they will get maximum satisfaction. This is the study of consumption.

2. Production

Producers also have limited means while they have a wide range of goods and services to choose from for their firms and factories. Given price of different inputs, how do they choose such combination which are least expensive, so that they are able to minimise their cost of production. Also given prices of different goods, how do they choose to produce those, the production of when offers them maximum revenue, so that their profit is maximised. This is the study of Production.

3. Distribution

We are also interested in knowing how income generated in the process of production is distributed among owners of factor of production i.e. land, labour, capital and Entrepreneur. Apart of income

generated will go to the owners of land in the form of rents; a part will go to labourer in the form of wages; a part will go to the owners of capital in the form of Interest and a part will go to the entrepreneur in the form of profit. Such a study is called the Distribution theory in Economics.

WHAT IS STATISTICS

By statistics we means both qualitative and qualitative facts that are used in Economics. The chief characteristic of qualitative information is that they describes attributes of a single person or group of person that is important to record as accurately as possible even though they cannot be measured in quantitative terms.

Statistic can be defined under two heads

1. Singular sense
2. Plural sense.

1. Statistic in Plural sense

In Plural sense, Statistic refer to the information in terms of numbers or numerical data, such as population, statistic, and employment statistics etc.

Definition

Statistic is a numerical statement of facts in any department of enquiry placed in relation to each other

Bowley

Features or Characteristics of Statistic in Plural sense

1. Aggregate of Facts: A single number does not constitute statistics. No Conclusion can be drawn from it. It is only the aggregate number of fact that is called statistic, as the same can be compared and conclusion can be drawn from them. Therefore, it is conclude that "All statistic are expressed in numbers but all numbers are not statistic".

2. Numerically Expressed: - Statistic are expressed in terms of numbers. Qualitative aspect like 'small or big, rich or poor' etc. are not called Statistic.

3. Affected by Multiplicity of Causes: Statistic are not affected by any single factor, but are influenced by many factor.

4. Reasonable Accuracy: A reasonable degree of accuracy must be kept in mind while collecting statistical data. This accuracy depend on the purpose of investigation, its nature, size and available resources.

5. Placed in Relation to each other: - Such numerical are called statistic which are mutually related and so comparable. Unless they have the quality of comparison they cannot be called Statistic.

6. Pre-determined Purpose: Statistic are collected with some pre-determined purpose. Any information collected without any definite purpose will only be a numerical value and not statistic.

7. Collected in a systematic manner: Statistic should be collected in a systematic manner. Before collecting them, plan must be prepared. No conclusion can be drawn from statistic collected in random (without any aim) manner.

Statistic in Singular sense

In the singular sense, it refers to techniques or method relating to collection, classification, presentation, analysis and interpretation of quantitative data.

In the words of Croxton and Cowden" Statistic may be defined as collection, presentation, analysis and interpretation of numerical data"

STATISTICAL TOOLS

These refer to the methods or techniques used for collection, organisation and presentation of data, as well as for the analysis and interpretation of data.

IMPORTANCE OF STATISTIC IN ECONOMICS

- 1. Statistics is an indispensable tool for an economist that helps him to understand an economic problem. Once the cause of the problem are identified, it is easier to formulate certain policies to tackle it.**
- 2. Statistic enables an economist to present economic facts in a precise and definite form. Exact facts are more convincing vague than statement.**
- 3. Statistic also help in condensing mass data into a few numerical measures. These numerical measures help to summarise data.**
- 4. Economists try to find out cause and effect relationship between different sets of data. This enables them to attempt an effective diagnosis of the problem and accordingly to suggest some effective remedies.**

5. Economist do forecasting through statistical studies. On studying the behaviour of price level over several years, the economist can make statistical forecasting about the likely trends or Pattern of the price level in the near future. This helps us in future planning.

6. Formulation of Policies: - It is through statistical investigations that the finance minister get feedback on the tax-paying capacity of people and revenue needs of the Government. Accordingly, tax rates are fixed to get maximum possible revenue with minimum possible discomfort to the people.

7. Economic Equilibrium: - It is a state of balance for the producer or the consumer where the producer finds that his profit are maximised or where the consumer finds that his satisfaction is maximum.

Limitation of Statistics

1. Statistic Studies only such facts which can be expressed in numerical teams.

2. Statistic studies only the aggregate of quantitative facts.

3. To compare data, it is essential that statistic are uniform in quality. Data of different qualities and kinds cannot be compared.

4. In order to understand conclusion precisely, it is necessary that the circumstances and conditions under which these conclusion have been made are also studied, otherwise they may prove to be wrong.

5. Statistic can be used only by those persons who have special Knowledge of statistical methods. Those who are ignorant about these methods cannot make sensible use of statistics.