

Topic : Nature and Scope of Economics

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Nature and scope of Economics

L.M Fraser has classified the definition of Economics into two Types :
Type A and Type B

Type A definition are related to **wealth** and **material welfare**

Type B to the **scarcity of means**

Wealth and Welfare Definitions : Type A

Welfare Definitions : Type B

The Classical view

The Classical economists beginning with Adam Smith defined Economics as the science of wealth. **Adam Smith** defined “ it as treating of the nature and causes of wealth of nations”

Among his followers, **J.B. Say** in France defined **Economics as the study of the laws which governs wealth,**

F. A Walker in America defined **Economics is that body of knowledge which relates to wealth.**

J.E. Cairnes said **Political Economy is a science it deals with the phenomenon of wealth.**

Brief descriptive critical analysis

(i) Restricted Meaning of Wealth:

In Adam Smith's wealth-oriented definition the meaning of wealth is restricted. Only material goods were considered as wealth. Non-material goods like services of doctors, lawyers and teachers were not considered as wealth. This restricted meaning of wealth has restricted the scope of study of economics

(ii) Neglect Human Welfare:

During the later part of the 19th century, the economists started realizing the humanistic character of economics. It was visualized that wealth is only a means to an end, the end being human welfare. Therefore, some economist severely condemned Adam Smith wealth definition which gives too much importance on **wealth** and completely ignored **human welfare**.

(iii) The Concept of economic man:

The concept of economic man is criticised by **Marshall** and **Pigou**. They believed that economic man who works for selfish ends alone is not found in real life.

(iv) Ignores the Problem of scarcity and choice:

This definition by giving too much importance wealth has completely ignored the problem of **scarcity and choice**.

(v) A Materialistic Definition:

Ruskin and Carlyle criticised this definition as a materialistic definition as it gives too much emphasis wealth and neglect other humanitarian and social welfare aspects of man. Ruskin and Carlyle called Economics as a “**bastard science**”.

Criticisms of wealth definition

- A great demerit of Adam Smith's definition is that there is over-emphasis on wealth. There is no doubt that we have to study about wealth in economics. But it can be only a part of the study. There is the other side. In fact, it is a more important side and that is the study of man. Economics is a social science. Hence the proper study of mankind should be man and not wealth alone.
- Wealth is a good which satisfy human wants. But we should remember all goods which satisfy human wants are not wealth. For example, air and sunlight are essential for us. We cannot live without them. But they are not regarded as wealth because they are available in abundance and unlimited in supply. We consider only those goods which are relatively scarce .
- It has got a bad name for economics. Some social scientists like **Ruskin** and **Carlyle** called it 'a **dismal science**', 'a **dark science**'. But this criticism is unfair, because it is based on a misunderstanding about the nature and scope of economics. As this definition emphasized 'wealth', they thought it is all about money. They concluded that economics taught men and women how to make money. So they called it a selfish science as in their opinion it emphasized on 'the means to get rich'.