Points to Remember

Economics is a science that studies human behavior which aims at allocation of scarce resources in such a way that consumer can maximise their satisfaction, producers can maximise their profits and society can maximise its social welfare. It is about making choice in the presence of scarcity.

Scarcity means shortage of goods and resources in relation to their demand.

Scarcity is the root of all Economic problem.

Father of Economics Adam Smith provided wealth definition of economics(Book- The Wealth of Nations, 1776):- Economics is an enquiry into the factors that determine the wealth of a country.

Scarcity definition given by Lionel Robbins(1932):- Economics is a science that studies human behaviour as a relationship between ends and scarce means which have the alternative uses.

Economics is the study of how man and the society chooses with or without the use of money, to employ scarce productive resources which could have the alternative uses to provide various commodities overtime and distribute them for consumption now and in future among various people and the groups of the society.

Resources are :
(a) Scarce/limited and
(b) Have alternatives uses

Types of Activities:

1. Economic Activities- Those activities which are related to earn money and wealth for life. These activities generate new income and increase the flow of goods and services. For example production, consumption, investment, distribution.

a. Production
b. Consumption
c. Investment
d. Exchange
e. Distribution

2. Non-Economics Activities- Non-economic activities are those activities which are not related to earn money and wealth. These activities neither generate income nor increase the flow of goods & services. For example, a teacher teaching his own son.

a. Social
b. Religious
c. Political
d. Charitable
e. Parental

Consumer: Consumer is an economic agent who buys the goods and services to satisfy his wants.

Producer is one who produces goods and services for the generation of income.

Service holder: A person who is in job and gives his services as a factor of production and is getting paid for it. E.g. Govt. Teacher.

Service Provider: A person who provides services to other for a payment. e.g. transporter, auto driver.

Statistics: Statistics is a method of taking decisions on the basis of numerical data.

Statistics can be defined in two ways:-

1. Singular sense: Statistic Means Statistical methods and techniques related to collection, organisation, classification, Presentation, analysis and Interpretation of data.

2. Plural Sense: Statistics means Numerical facts and figures Which have been systematically collected for a definite purpose in any field of study.

Characteristics of statistics in plural sense
1. Aggregate of facts
2. Numerically expressed
3. Affected by multiplicity of causes
4. Reasonable accuracy
5. Collected in a systematic manner
6. Pre-determined Purpose
7. Placed in relation to each other

Stages of statistics in singular sense
1. Collection of data
2. Organisation of data
3. Presentation of data
4. Analysis of data
5. Interpretation of data

Statistical data

(1) Qualitative data – Not measured in numerical terms like beauty and intelligence.

(2) Quantitative data – Measured in numerical terms like price and Income.

Scope of Statistics
In the old days, the use of statistics was restricted to deal with the affairs of the state. But now-a-days the scope of statistics has spread to all those areas where numerical facts are used such as economics, business industry, medicine, physics, chemistry and numerous other fields of knowledge.

Importance of Statistics in Economics
1. It enables an economist to present economic facts in precise and definite form.

2. Helps in condensing mass data info a few numerical measures.
3. Statistics is used in finding relationship between different economic factors.
4. Economics forecasting through statistical studies.
5. Helpful to formulate appropriate economic policies that solve economic problems.
6. Help to analyse the performance of policies applied before.
7. Economist try to find out cause and effect relationship between different sets of data.
8. Formulation of policies.
9. Used for inter-sectoral and inter-temporal comparisons.
10. It is a quantitative expression for economic problem.

Function of Statistics

1. Statistics simplifies complexities.
2. It expresses facts in numbers.
3.It presents data in condensed form.
4. Statistics compares different phenomena and reassures relationship between them.
5. Statistics is helpful information of policies.
6. Statistics is helpful in economic forecasting.
7. It facilitates comparisons.
8. It is useful in testing the laws of other sciences.
9. It helps in establishment of correlation between two facts.

Limitations of Statistics

1. Statistics does not study individuals.
2. Statistics results might lead to fallacious conclusions.
3. Statistics deals with quantitative facts only.
4. Statistics laws are true only on averages.
5. Only experts can make the best possible use of statistics.
6. Uniformity and homogeneity of data is essential.
7. Misuse of statistics is indeed its greatest limitation because misuse of statistics is possible.
8. Study of aggregates only
9. Without reference, results may prove to be wrong.