



SNS COLLEGE OF TECHNOLOGY

An Autonomous Institution

Coimbatore-35



Accredited by NBA – AICTE and Accredited by NAAC – UGC with ‘A+’ Grade
Approved by AICTE, New Delhi & Affiliated to Anna University, Chennai

Department of Automobile Engineering

III YEAR/ VI SEMESTER

19MEE301 / Engineering Economics and cost Analysis

UNIT-1

Nature and scope of economic science

The nature and scope of economics are related to the study of wealth or human behaviour or of scarce resources. The scope is very wide and includes the subject matter of economics whether economics is a science or an art or whether it is positive or normative science.

Wealth and Welfare Connotations:

Wealth and welfare connotations are segregated into the classical view of Adam Smith and Neo classical view of Marshall. First let us discuss classical view and the relating contemporaries.

The Classical view and Contemporaries:

The Classical Economist Adam Smith defines Economics as the science of Wealth. He defines as "nature and cause of wealth of nations" whereby it "proposes to enrich people and sovereign". The classical view is misleading and has serious defects. This view of conception of economics as a science of wealth which laid exclusive stress on material wealth. Material wealth is the object of desires of man. Wealth was considered to be the stop in itself. By stressing on the word "Material Wealth" Economist Adam Smith narrowed the scope of Economics by excluding all material activities which are related to the production of non-material goods and services such as Engineers, Accountants etc. Now after bearing in mind the classical view of Adam Smith we are going to see the Neo Classical View by Economist Marshall and its contemporaries.

Neo-Classical View and Contemporaries:

Alfred Marshall led neo-classical school which placed all the economists a reputable position among social science. He emphasised on a man's welfare. Wealth was observed as the basis of human welfare not stop in itself but a means to a stop. According to Marshall "Political Economy or Economics is a study of mankind in the ordinary business of life. It inspects that part of individual and social accomplishment which is most intimately associated with the achievement and with the use of the material conditions of well being. It is on the one side a study of riches and on the other are more significant side a part of study of man. The contemporaries are it excludes activities of socially disagreeable and non-standard persons like thieves, misers etc, non-economic activities and activities having dishonorable ends are excluded from the study of economics.

Scarcity definition of Robbins:

According to Robbins, "Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses." It was Lord Robbins who exposed the rational discrepancy and insufficiencies of other economists' definitions. **Growth Oriented Definition:**

Modern Age is the age of economic development. Its key purpose is to enhance social wellbeing and progress the standard of living of the people by getting rid of poverty, redundancy, disparity of income and wealth, malnutrition etc. of the realm. Hence the financial development is the essential point of all economic policies.

Scope of Economics:

While discussing the subject-matter and definition of Economics, we have said something about the scope of Economics too. But there are a few more things which we have to discuss in considering the scope of Economics. 'Scope' means the sphere of study. We have to consider what Economics studies and what lies beyond it.