Christian Matriculation Higher Secondary School, Oddanchatram.

XI Economics Lesson inside Important Definitions

Lesson 01

1. **Define. Engel's Law.**

According to Engel's Law "The proportion of total expenditure incurred on food items declines as total expenditure goes on increasing".

2. **Define. Welfare Economics.**

According to Alfred Marshall "Economics is a 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. Thus, it is on one side a study of wealth, and on the other and more important side, a part of the study of man"

3. **Define. Scarcity Definitions.**

According to Lionel Robbins " Economics is a science which studies human behavior as a relationship between ends and scarce means which have alternative uses"

4. **Define. Growth Definitions.**

According to Paul Samuelson " The study of how men and society choose, with or without the use of money, to employ scarce productive resources which could have alternative uses, to produce various commodities over time, and distribute them for consumption, now and in the future among various people and group of society"

Lesson – 02

1. **Define. LDMU.**

According to Marshall " The additional benefit which a person derives from a given increase of his stock of a thing diminishes with every increase in the stock that he already has

2. **Define. Law of Equi - Marginal Utility.**

   According to Marshall " If a person has a thing which he can put to several uses, he will distribute it among these uses in such a way, that it has the same marginal utility in all.

   For, if it had a greater marginal utility in one use than another he would gain by taking away some of it from the second use and applying it to first"

3. **Define. Consumer Surplus.**

   According to Marshall " The excess of price which a person would be willing to pay a thing rather than go without the thing, over that which he actually does pay is the economic measure of this surplus satisfaction. this may be called consumer's urplus"

4. **Define. Law of Demand by the words of Alfred Marshall**

   According to Marshall " The quantity demanded increase with a fall in price and diminishes with a rise in price"

5. **Define. Law of Demand by the words of Paul A. Samuelson**

   According to Samelson " The people will buy more at lower price and buy less at higher prices, other things remaining the same.

6. **Define. Elasticity of Demand.**

   According to Stonier " Elasticity of demand is, therefore, a technical term used by the Economists to describe the degree of responsiveness of the Quantity demand for a commodity to a change in its price"

7. **Define. Marginal Rate of Substitution.**

   According to Leftwich " The marginal rate of substitution of x for Y is defined as the maximum amount of Y the consumer is willing to give up for getting an additional unit of X and still remaining on the same indifference curve.

Lesson – 03

1. **Define. Capital**

   According to Marshall " Capital consists of all kinds of wealth other than free gift of nature, which yield income.

2. **Define. Production function**

   According to George J. Stigler " Production function is the relationship between inputs of productive services per unit of the time and output of the product per unit of time.

3. **Define. Law of Variable Proportions.**

   According to Stigler " As equal increments of one input are added, the input of the other productive services being held constant, beyond a certain point, the resulting increments of product will decrease.

   ie: The marginal product will diminish.

4. **Define Iso- Quant.**

   According to Ferguson " An iso-quant is a curve showing all possible combinations of input physically capable of producing a given level of output.

5. **Define. Supply**

   " Other things remaining the same, if the price of a commodity increase its quantity supplied increases and if the price of a commodity decreases, quantity supplied also decreases"

Lesson – 05

1. **Define. Perfect Competition.**

   According to Joan Robinson " Perfect competition prevails when the demand for the output of each producer is perfectly elastic"

2. **Define. Imperfect competition**

According to Edward Chamberlin "Imperfect competition is a competitive market situation where there are many sellers, but they are selling heterogeneous goods as opposed to the perfect competitive market scenario. As the name suggests, competitive markets are imperfect in nature.

3. **Define Monopoly.**

" Monopoly is a market structure characterized by a single seller, selling the unique product with the restriction for a new firm to enter the market.

4. **Define. Monopsony**

" Monopsony is a market structure in which there is only one buyer of a good or service. If there is only one customer for a certain good, that customer has monopoly power in the market for that good"

5. **Define. Bilateral Monopoly**

" Bilateral monopoly refers to a market situation in which a single producer of a product faces a single buyer of that product"

Lesson – 06

1. **Define. Quasi Rent.**

According to Marshall " Quasi –Rent is the income derived from machines and other appliances made by man.

2. **Define. Modern Theory of Rent.**

According to Joan Robinson " The essence of the conception of rent is the conception of surplus earned by a particular part of a factor of production over and above the minimum earnings that is necessary to induce it to do work"

3. **Define. Wages**

According to Benham " A sum of money paid under contract by an employer to a worker for the services rendered"

4. **Define. Standard of Living Theory of Wages**

According to Torrance " Wage is equal to the standard of living of the workers. If standard of living is high, wages will be high and vice versa.

5. **Define. Wage Fund Theory:**

According to Mill " Every employer will keep a given amount of capital for payment to the workers"

6. **Define. Residual claimant Theory of Wages.**

According to the walker " Wages is the residual portion after paying the remuneration of all the other three factors, namely land, capital and organization"

7. **Define. Marginal Productivity theory of Wages.**

" Wages are determine by the marginal productivity of labour and equal to it at the point of equilibrium"

8. **Define Interest.**

According to Marshall " Interest is the price paid for the use of capital in any market

9. **Define. Abstinence theory of Interest.**

According to N.W. Senior " Capital is the result of saving. but saving involves abstinence or sacrifice"

10. **Define. Agio Theory of Interest.**

" People prefer present goods rather than future goods. Because the present goods are more certain than future goods"

11. **Define. Loanable funds theory.**

" Interest is the price paid for the use of loanable funds, the rate of interest is determined by the equilibrium between demand for and supply of loanable funds in the credit market"

12. Define. Liquidity Preference Theory.

According to Keynes " Interest is purely a monetary phenomenon because the rate of interest is calculated in terms of money"

13.Define. Liquidity Preference Theory by the words of Meyer.

According to Meyer " Liquidity Preference is the preference to have an amount of cash rather than of claims against others"

14.Define. Risk Bearing Theory of Profit.

According to Hawley " Profit is the reward for risk taking in business. Risk taking is an essential function of the entrepreneur and is the basis of profit"

15.Define. Innovation Theory of Profit.

According to Schumpeter " An entrepreneur is not only an undertaker of a business, but also an innovator in the process of production"

16. Define. Uncertainty Bearing Theory of profit.

According to Knight " Profit is the reward for uncertainty bearing. He distinguishes between insurable and non –insurable risks"

Lesson -10

1. **Define. Rural Development**

According to World Bank " Rural development is a strategy designed to improve the economic and social life of a specific group of people- rural poor"

2. **Define. Seasonal Unemployment**

According to Agricultural Labour Enquiry committee Report " The extent of under employment is on the average, 82 days of unemployment in a year for 84 per cent of agricultural labours.

3. **Define Rural Indebtedness**

According to the All India Debt and Investment survey in 2002 " The share of institutional credit has declined from 66.3 per cent in 1991 to 57.1 per cent in 2002, with a corresponding increase in informal channels of credit (RBI 2006)

L.KARTHICK, P.G. Asst Economics, C.M.H.S.S, Oddanchatram (Cell:9486125739)