

# PRINCIPLES OF ECONOMICS

B. Com Hons Part-I

**TOPIC** - ECONOMICS POSTULATES

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## ◀ Some Important Economic Postulates

\* The three basic units is essential for the analysis and scientific study of the economic problems :-

(i) Household :-

A family (or household) is the smallest unit of the economic analysis. The term 'household' refer to a group of consumers. The problem of household's choice is the most fundamental problem of economic life. Economic choices have an economic significance and affect the economic life of the community in a direct or an indirect manner. A household has to decide how much of his money income he is going to spend upon his present consumption and how much he is going to save for the future.

(ii) Firm And Industry :-

A business firm is a decision making entity. In legal terms, a firm is an artificial person. In economic sense, it is an organisation that employs factors of production to produce goods and services for the market. A firm seeks to maximise its objective function with profit as its main element. The maximisation of profit is the pivot in the theory of firm's behaviour.



(iii) The Government :-

The government or the central authority means all those government units, public institutions, and the organisations which are directly under the control of government.

for example - Central bank, civil service commission, central cabinet, Police, court etc. The government like firms produce goods and services and therefore utilises factor services. so government makes factor payments. It also spends on goods and services produced by firms and grant them subsidies.

The government has also its sources of income.

- The main sources of its incomes are -
- (i) tax revenue
  - (ii) non-tax revenue