

PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC - Definitions Of Economic Laws

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ECONOMIC LAWS

Economic laws seek to establish behaviours of man and economic phenomenon. Economic laws are of scientific nature because such laws, like other seek to establish cause and effect relationship. Economists first try to study the behaviour of a rational individual as a consumer or as a producer. We shall first consider the empirical "law of Demand". According to this law, if other things remaining constant there is an inverse relationship between quantity demanded of a commodity with price i.e. if there is an increase in price of a commodity this lead to decrease in quantity demand, and vice-versa. Thus, price is the cause and quantity is the effect. Such cause and effect relationship also held for any other economic law.

• Definitions of Economic laws :-

- (i) According to Marshall, "Economic laws or statements of economic tendencies are those social laws which relate to those branches of conduct in which the strength of the motive chiefly concerned can be measured by money price".

⑤ According to Robbins, "Economic laws are statement of uniformities about human behaviour concerning the disposal of scarce means with alternative uses of the achievements of ends that are limited".

• Marshall definition has following three characteristics -

- (a) Economic laws are social laws.
- (b) Economic laws are concerned with human conduct.
- (c) Economic laws explain those aspect of human behaviour which can be measured in terms of money.

• Robbins broadened the scope of economic law by suggesting that any activity of man will come under the purview of the law of economics provided it is concerned with the allocation of scarce resources among unlimited wants.

Thus, economists have to formulate laws which are statements of tendencies governing human behaviour involving making a choice among various alternatives.