

Quadrant II – Glossary

Programme: B. Sc. (Hons.) Agri.

Subject: Agricultural Economics

Course Code: ECON-121

Course Title: Fundamentals of Agricultural Economics

Module Name: Basic concepts: Goods and services, classification of goods, characteristics of goods and services, desire, want, demand, utility, Cardinal and Ordinal approaches, Characteristics of utility - Forms of utility. Cost and price, wealth, capital, income and welfare, Classification of Wealth

Module No: 4

Name of the Presenter: Dr. Rachana Kolambkar

Glossary of terms/words:

Goods: It is defined as anything that satisfies human wants or needs.

Services: The performance of any duties or work for another or professional activity.

Free goods: Are those goods that exist in plenty that can be used as much as we like. They are gifts of nature and used without payment Example: Air, sunshine etc.

Economic goods: When resources are scarce and can be had only on payment. They are limited and generally man-made and hence those can be available only on payment.

Producer Goods: Producer goods are these goods which help us to produce other goods. They give satisfaction indirectly by producing other goods which will

yield final satisfaction. Example: machinery, tools etc. They are also termed goods of the second order.

Consumer Goods: Are those which yield, satisfaction directly. They are used by consumer directly to satisfy the wants Example: food, clothing, etc. These goods are known as the Goods of First order.

Mono Period Goods: Are those goods which can be used only once in the production and consumption process. Example: Seeds, Fertilizers, food etc.,

Poly Period Goods: Are those which can be used repeatedly during the production and consumption process over several periods. Example: refrigerator machinery, implements etc.,

External Material Transferable good

Example: Land, Buildings etc., External material non-Transferable good.

Example: Degree Certificate, PAN Card etc.,

External non material transferable good

Example: Goodwill of a business External non material Non-transferable good.

Example: Friendship, light Internal non material Non-Transferable good.

Example: Intelligence Quotient, ability, cruelty etc.,

UTILITY

Utility means the power to satisfy a human want. Any commodity or service which can satisfy a human want is said to have utility

Form Utility: The Change in the form offers greater utility to the good than in its original form. For example: Processing of paddy into rice. Rice, fetches superior price than paddy because of processing.

Place Utility: The utility obtained by spatial movement of the goods is termed as place utility. Transportation aids in place utility i.e., through the transfer of goods

from surplus production area to deficit or slack areas. Example: Shimla apples are transported to all parts of the country thereby increasing the utility of apples.

Time utility: Storing the commodity at the times of surplus production and make them available during scarcity creates time utility. Storage aids in creation of time utility by the supply of seasonal products during off season as per the consumers requirements.

Possession Utility: The Utility obtained due to possession or transfer of ownership of the commodity is called possession utility. Buying and selling creates possession utility. For Eg:- Agriculture land sold to real estate for plots would increase the utility for the same piece of land.

Cardinal utility: This is based on the premise that utility could be measured and can be aggregated across individuals. It quantitatively measures the preference of an individual towards a certain commodity.

Ordinal utility: this is the ordinal measurement of utility. According to this utility cannot be quantified. For Example: If the utility is 100 units towards a cup of coffee and 50 units for a cup of tea, the conclusion drawn is that Coffee is preferred over tea. The ordering is important rather than the magnitude of the numerical values like 100 and 50 in the given instance. This approach faces the limitation of utilities not being compared.

Value

value of a commodity refers to those goods that can be obtained in exchange for itself or purchasing power of a commodity in terms of other commodities and services. Value can be referred to as the capacity of a good to command other things in exchange.

Price

Value expressed in monetary terms is Price

Wealth

In ordinary language, “Wealth” conveys an idea of prosperity and abundance. A man of wealth understood as a rich person. But in Economics Wealth is synonymous with economic goods. In short, Wealth means anything which has value.

Individual Wealth: It consists of all tangible and intangible possessions of the individuals besides loans due to them. Example: Land, bonds, deposits are tangible possessions while, intangible possessions are copyrights, patents etc.,

Social Wealth: It is the wealth, which is collectively used by all the people in a nation. Example: Railways, Public Parks, Government colleges etc.,

Representative Wealth: It is that form of wealth in the form of title deeds

National Wealth: It is an aggregate of all individual’s wealth and social wealth of the country inclusive of loans due to people and to the nation debts have to be deducted. Example: Rivers, mountains.

Cosmopolitan Wealth: It is wealth of the whole world. It is a sum total wealth of all nationals.

Negative Wealth: It refers to the exclusive debts owed by the individuals and the nation.