

SUBJECT- PRINCIPLES OF ECONOMICS

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ECONOMIC LAWS: MEANING AND NATURE

\* meaning of Economic Law:

A law (or generalisation) is the establishment of a general truth on the basis of particular observations or experiments which trace out a causal relationship between two or more phenomena.

But economic laws are statements of general tendencies or uniformities in the relationships between two or more economic phenomena.

Marshall defined economic laws in these words, "Economic laws, or statements of economic tendencies, are those social laws, which relate to those branches of conduct in which the strength of the motives chiefly concerned can be measured by money price."

It can be inferred from this definition that economic laws are:

- (a) Statements of economic tendencies,
- (b) Social laws,
- (c) Concerned with human behaviour, and
- (d) Human behaviour can be measured in money.

On the other hand, according to Robbins, "Economic laws are statements of uniformities about human behaviour concerning the disposal of scarce means with alternative of ends that are unlimited." These two definitions are common in that

They consider economic laws as statements of tendencies or uniformities relating to human behaviour.

#### \* Nature of Economic Laws:

Economic laws are like scientific laws which trace out a causal relationship between two or more phenomena. As in natural sciences, a definite result is expected to follow from a particular cause in economics.

The law of gravitation states that things coming from above must fall to the ground at a specific rate, other things being equal. But when there is a storm, the gravitational force will be reduced and the law will not work properly. As pointed by Marshall, "The law of gravitation is therefore, a statement of tendencies." Similarly economic laws are statements of tendencies.

For instance, the law of demand states that other things remaining the same, a fall in price leads to an extension in demand and vice-versa. Again some economic laws are positive like scientific laws such as the law of Diminishing Returns which deal with inanimate nature.

Since economic laws are like scientific laws, they are universally valid. According to Robbins, "Economic laws describe inevitable implications, if the data they postulate are given, then the consequences they predict necessarily follow. In this sense, they are on the same footing as other scientific laws."