

Chapter → 1• Economics

origin → Greek → Oikonomia → Household

19th century → Eco → Political Eco

• Adam Smith

An inquiry into the Nature & Causes of the
(1776) wealth of Nation

↓

Wealth of Nation

↓

1st Modern work of Eco

• Problems of Choice [dilemma]

faced by every

- individual
- Society
- Country

two fundamental facts

- Wants Unlimited
- Resources limited (scarce)

• Business Eco = Managerial Eco = Applied Eco

• Economic Theory [Micro, Macro, Managerial Eco]

Central Economic Problem

Human Wants
Unlimited

Resources
Limited

Capitalist Eco

Free Eco

Market Eco

Laissez faire Eco

Socialist Eco

Command Eco

Centrally Planned Eco

Mixed Eco

What to produce?

→ resources limited

→ wants unlimited

How to produce?

→ Capital intensive

→ labour intensive

For whom to produce?

→ Rich

→ Poor

What provisions for Economic growth?

Capitalist Eco.

- Consumer Preference ← [allocation of resources is determined]
- Profit motive ← driving force
- Price Mechanism ← Principal
- Right to Private Property — [Private individuals]
- Freedom of Enterprise (Business)
- Freedom of economic choice
- Consumer Sovereignty
- Competition
- Absence of govt interference
- Market forces.
- Exploitation & Inequality will be more
- (The reward for economic decisions)

Socialist Eco

Karl Marx & Friedrich Engels
The Communist Manifesto
1848.

- Social welfare
- Controlled by Govt
- Collective ownership
- Economic Planning
- Absence of Consumer choice
- Relatively Equal income dist
- Right to work
- Predominance of Bureaucracy
govt
- Rapid Growth & Balanced development
- Cost-Benefit Analysis

* Inequalities of incomes don't perpetuate
* Exploitation & inequality are minimal

what to produce
→ need
→ want
Unl

Mixed Economy

- Planned EO
- Controlled by both Govt & market forces
- Co-existence of Private & Public
- Sectors
 - Public
 - Private
 - Combined
- Dual System of Pricing
- Balanced regional development

Positive / Science
Pure Economics

what is?

Normative
Economics

what should be?

what ought to be?

Value judgement
Ethical Consideration

Individual

Interdependent

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Micro Eco / Price Theory

Problems

- allocation of resources.
- Factor Pricing
- Price Theory
- Consumer Behaviour
- Product Pricing
- Factor Pricing
- Study of Firms
- Aggregate Profit of a Firm
- Market demand for a product
- Firm Equilibrium
- Location of Industry
- Economic Conditions of a section of the people

Macro Eco.

(Aggregate) national / Econ

- national unemployment
- National income
- General Price level
- GDP
- National saving & investment
- Balance of Payment
- Disparities of Income
- Net National Product
- The Economy as a whole
- Choice M.
- Development of the Economy
- External value of money
- Corporate tax rate

Nature of Business Eco

- Art
- Science
- Interdisciplinary
- Pragmatic Approach
- ↳ ~~Theoretical~~ Practical

Scope of Business Eco

Accounting standards X
Cost standards X

- Cost Analysis
- Demand Analysis
- Inventory Management
- Capital Budgeting
- Risk Analysis
- Business Cycle