Who Said What!!

- The book named ‘An Inquiry into the Nature and Causes of the Wealth of Nations’ (1776) usually abbreviated as ‘The Wealth of Nations’, **by Adam Smith** is considered as the first modern work of Economics.
- **Joel Dean defined** Business Economics in terms of the use of economic analysis in the formulation of business policies.
- The concept of socialist economy was propounded by **Karl Marx and Frederic Engels** in their work ‘The Communist Manifesto’ published in 1848.
- ‘Veblen effect’ (named after the American economist **Thorstein Veblen**).
- **Prof. Alfred Marshall** defined the Law of Demand as “The greater the amount to be sold, the smaller must be the price at which it is offered in order that it may find purchasers or in other words the amount demanded increases with a fall in price and diminishes with a rise in price”.
- According to **Marshall,** the consumer has diminishing utility for each additional unit of a commodity and therefore, he will be willing to pay only less for each additional unit.
- **Hicks and Allen** have explained the law in terms of substitution effect and income effect
- Giffen goods - **Sir Robert Giffen**, a Scottish economist and statistician, was surprised to find out that as the price of bread increased, the British workers purchased more bread and not less of it.
- The Delphi technique, developed by **Olaf Helmer** at the Rand Corporation of the USA.
- Marginal Utility Analysis propounded by **Marshall**
- Indifference Curve Analysis propounded by **Hicks and Allen**
- Consumer’s surplus was propounded by **Alfred Marshall**.
- According to **James Bates and J.R. Parkinson** “Production is the organized activity of transforming resources into finished products in the form of goods and services; and the objective of production is to satisfy the demand of such transformed resources”.
- According to **Ricardo,** land has certain original and indestructible powers and these properties of land cannot be destroyed.
- **Frank Knight** is of the opinion that profit is the reward for bearing uncertainties
- **According to Schumpeter**, the true function of an entrepreneur is to introduce innovations.
- **R.L. Marris’s theory** of firms assumes that the goal that managers of a corporate firm set for themselves is to maximise the firm’s balanced growth rate subject to managerial and financial constraints.
- **H A Simon** argues that firms have ‘satisfying’ behaviour and strive for profits that are satisfactory. Baumol’s theory of sales maximisation holds that sales revenue maximisation rather than profit maximisation is the ultimate goal of the business firms.
- **A. A. Berle and G.C.** Means pointed out that in large business corporations, management is separated from ownership and therefore the managers enjoy discretionary powers to set goals of the firm they manage.

- **Williamson's model** of maximisation of managerial utility function is an important contribution to managerial theory of firms' behaviour.
- **Cyert and March** suggests four possible functional goals in addition to profit goal namely, production goal, inventory goal, sales goal and market share goal.
- The relationship between the maximum amount of output that can be produced and the input required to make that output. It is defined for a given state of technology i.e., the maximum amount of output that can be produced with given quantities of inputs under a given state of technical knowledge. **(Samuelson)**
- A famous statistical production function is Cobb-Douglas production function**. Paul H. Douglas and C.W. Cobb** of the U.S.A. studied the production function of the American manufacturing industries.
- Value in exchange or exchange value, according to **Ricardo,** means command over commodities in general, or power in exchange over purchasable commodities in general
- On the basis of **Time Alfred Marshall** conceived the 'Time' element in markets and on the basis of this, markets are classified into
- **Prof. Pigou** classified three degrees of price discrimination.
- **Prof. Stigler** defines oligopoly as that "situation in which a firm bases its market policy, in part, on the expected behaviour of a few close rivals".
- **In Cournot model**, the firms' control variable is output in contrast to price. They do not collude.
- In **Stackelberg's model**, the leader commits to an output before all other firms. The rest of the firms are followers and they choose their outputs so as to maximize profits, given the leader's output.
- According to **Bertrand model**, price is the control variable for firms and each firm independently sets its price in order to maximize profits.
- Many explanations have been given for this price rigidity under oligopoly and the most popular explanation is the kinked demand curve hypothesis given by an American economist **Paul A. Sweezy**. Hence this is called **Sweezy's Model**.
- According to **Keynes,** fluctuations in economic activities are due to fluctuations in aggregate effective demand (Effective demand refers to the willingness and ability of consumers to purchase goods at different prices)
- According to **Hawtrey**, trade cycle is a purely monetary phenomenon
- According to **Pigou,** modern business activities are based on the anticipations of business community and are affected by waves of optimism or pessimism.
- According to **Schumpeter's** innovation theory, trade cycles occur as a result of innovations which take place in the system from time to time.
- The cobweb theory propounded **by Nicholas Kaldor** holds that business cycles result from the fact that present prices substantially influence the production at some future date.