

Chapter - 1 Nature & Scope Of Economy

Unit-1 Introduction :-

- Economics originate from the greek word 'DIKONOMIA' which means household or household management.
- Till 19th century Economics was known as 'political economy'.
- Adam Smith who is regarded as 'father of Economics' or 'father of modern Economics' author "An Inquiry into the nature & cause of wealth of Nation" in 1776 is considered as first modern work of Economics.

Fundamental facts about human wants and resources :-

- ① Human wants have unlimited wants.
- ② The resources or means to satisfied these unlimited wants are relatively scarce.

Subject matter of Economics :-

- ① Economics deals with fundamental Economics problems, i.e
- ① unlimited wants
 - ② limited resources.

① unlimited wants :-

→ Human wants are unlimited and it is impossible to satisfy all of them. However the wants can be created or priorities i.e the wants can be listed in

descending order of utility or satisfaction as per unit of resources.

(a) limited resources:-

The available resources will never be enough to satisfy the unlimited human wants, because the resources are finite in nature. However the resources can be put to alternative uses.

Economics is a study of how humans [Individuals or group of Individuals] used limited resources [which can be put to alternative uses] to satisfy their prioritise wants.

Business Economics:-

Business Economics also known "Managerial Economics"

Business Economics is a use of Economics analysis to make business decision Involvement the best use of an organisations, Scarce resources. It is a component of applied Economics as it includes application of Quantitative techniques such as linear programming, Regression Analysis, capital budgeting, Breakeven analysis and cost Analysis.

Business Economics provides managers with a basis framework for making key business decision about the allocation of the firm Scarce resources.

Nature of business economics:-

Refer pg no. 1.8 to 1.11

Scope of business economics:-

Refer pg no. 1.11 to 1.13

Difference between economics and business Economics:-

Refer pg no. 1.13 to 1.14

Chapter - 1

unit-2 Basics problems of an Economy and role of price mechanism:-

Basics and fundamental problems of an economy:-

→ The central Economics problem is divided into the following four problems.

- ① what to produce?
- ② how to produce?
- ③ for whom to produce?
- ④ what provisions are to be made for Economic growth?

① what to produce?

What specific goods & services [consumer goods or capital goods] and in what quantities to be produce.

② how to produce?

→ That is labour Intensive or capital Intensive techniques.

→ The techniques depend on the availability of specific resource or factor of production. Usually a resource or factor of production which is abundant and supply and lower in cost [cost efficient] is preferred.

Different Economics system [merits & demerits] :-

Refer page no. 1.18 to 1.27

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