

Chapter-1

Nature and scope of Business Economics

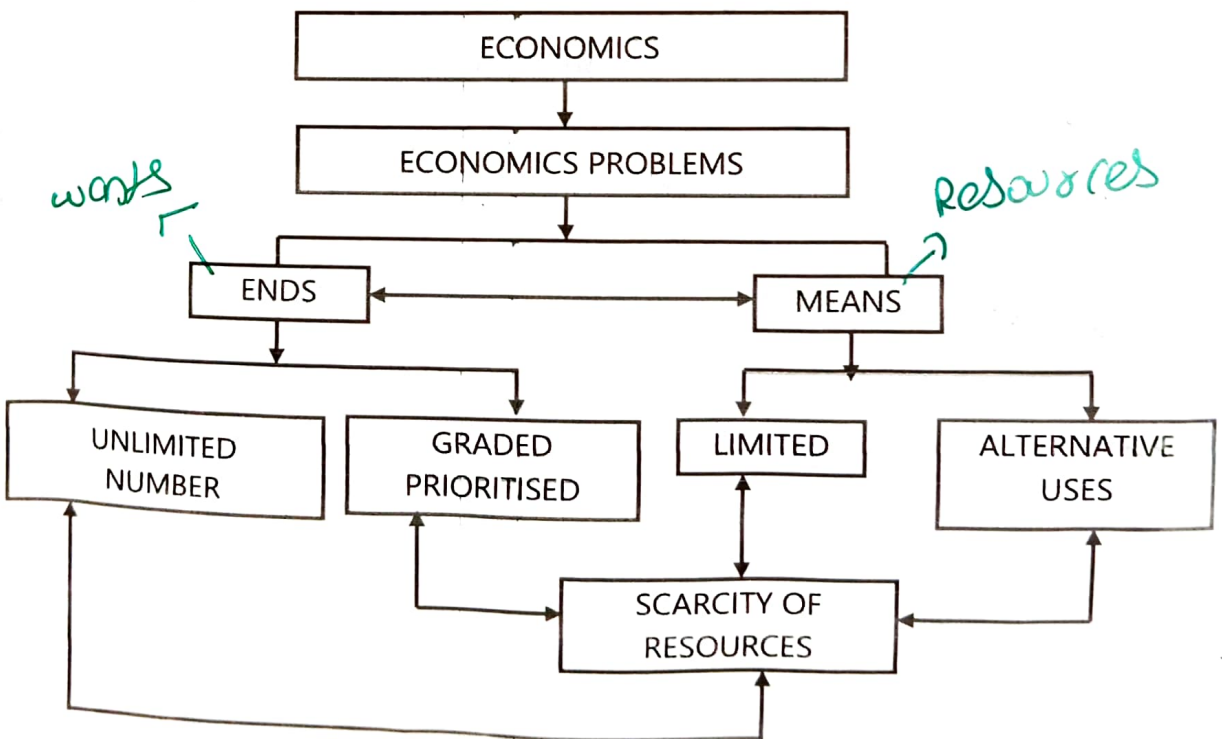
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- Father of Economics - Adam Smith
- Book name - "Wealth of Nations" (1776)
- Previous name of business Economics - "political economics"
- Greek word of economics - Oikonomia which means house hold.



* Difference b/w Micro and Macro:

Micro

- study of Individual Unit
- Ex: Individual income, product pricing, Factor pricing, particular commodity
- Price theory
- Slicing method

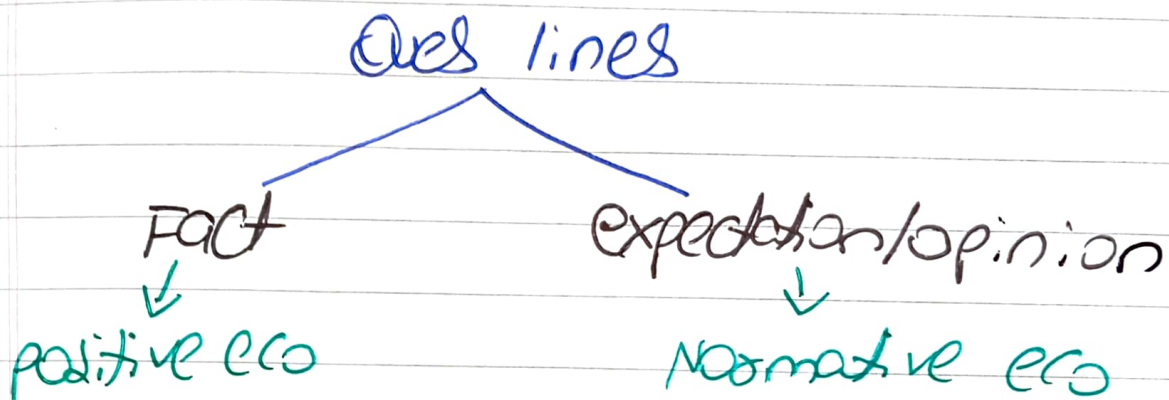
Macro

- study of Aggregate
- Ex: National income, National output, Inflation, Cerebral pricing
- Income theory
- Lumping method

* Nature of Business Economics:

- 1) It is an art.
- 2) It is a science
- 3) Based on ~~Micro~~ ~~eco~~ largely on Macro.
- 4) Based on Macro
- 5) use theory of market and ^{private} enterprises.
- 6) Pragmatic approach i.e "practical".
- 7) Interdisciplinary in nature.
- 8) Generally normative in nature.

* Diff b/w positive and normative
eco;:-



• what is

- ought to be
- should be
- determining

* Central problems of Business eco;:-

- What to produce?
- How to produce?
- When to produce?
- For whom to produce?

* Diff b/w eco and Business eco :-

Basis of Difference	Economics	Business Economics
Meaning	It involves the framing of economic principles to solve economic problems.	It involves the application of economic principles to solve economic problems.
Character	It is microeconomic as well as macroeconomic in character.	It is microeconomic in character.
Main Task	The fulfilment of needs of individuals as well as entities.	Proper decision making in a particular business entity.
Nature	It is positive as well as normative in nature.	It is only normative in nature.
Scope	It has a wider scope.	It has a comparatively narrow scope.
Branches	It has business economics as its applied branch.	It is an applied branch of economics.
Concerned with	All the theories from production to consumption including distribution.	It is concerned with only profit theory ignoring other theories.
Analysis Involved	It includes the analysis of macro level issues like growth, inflation and employment, etc.	It includes the analysis of micro level issues like demand, supply and profit etc.
Concentration	It concentrates only on the economic aspects of any business problem.	It concentrates on both economic as well as non-economic aspects of any business problem.
Validity of Assumptions	It is based on certain assumptions.	Some assumptions become invalid when applied.

* Types of Economies

1) Capitalist economy:-

Jaha pe govt. ka kuch lena dena nahi hai.

2) Socialist economy:-

Govt. ka lena dena hai.

3) Mixed economy:-

Govt aur private entities dono ka control hai.