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Ch:-1 Nature and scope of Business Economics.

→ Economic problems arise due to two reasons

Unlimited wants } fundamental facts.
Scarce resources }

→ Economics → greek word



oikonomi

meaning - household management

→ distribution of scarce means ^{OR} goods which have alternative uses

→ the purpose of economic is to achieve maximum satisfaction of wants and increasing of welfare as well as economic growth.

→ economic known as political economy till 19th century.

→ The book name 'An inquiry into the nature and causes of the wealth of nations' (1776). * 'The wealth of nations' by Adam Smith

→ The fundamental facts

- 1) Human beings have unlimited wants
- 2) The ^{resources} means to satisfy these unlimited wants are relatively scarce from the subject matter of economics.

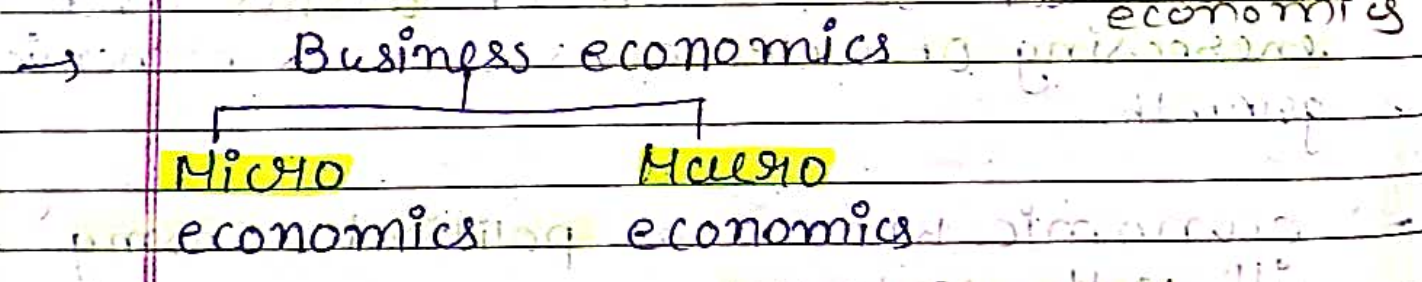
as positive science → Robbins
as Normative science → Alfred Marshall

→ Business economics application of economic theory and methodology

→ Decision making means process of
(1) evaluating various course of action
(2) Making rational judgment on basis of available information.
(3) selecting (making) choice of a suitable alternative by decision maker.

→ Business economics provides a scientific base to the professional management of a business activity.

→ Business economics is applied economics



→ Business economics also useful for to the manager of 'not for profit' organization

→ definition of Business economics given by 2 person
1) Joel Dean
2) Evren Douglas.

- Adam Smith was father of economics
- Adam Smith economics is the science of wealth
- Alfred Marshall economics is the science of welfare.
- Robbins economics is the science of scarcity of choice making
- Paul Samuelson economics is the science of the growth and development

Adam Smith	→	wealth
Alfred Marshall	→	welfare making
Robbins	→	scarcity & choice
Paul Samuelson	→	growth and development

Business economics

Micro economics Macro economics

Micro economics is the study of particular thing.

Microeconomics theory is that part of economics which studies the overall average.

→ Relative price means Ratio of one money price with the other.

→ positive science

when any statement answers the questions "what is?" it is called positive science.

→ Business economics includes several subjects, in the sense it is

Multidisciplinary or interdisciplinary

↗ When any statements talks about present situations, past situations, fact, reality or cause and effect analysis is called positive science.

→ Normative science

when any statement answers the question "what should be" or "what ought to be" it is called Normative science.

when any statement talks about future situations, ideal situations, suggestion, opinion, ethics or welfare, it is called normative science.

or positive science is neutral between ends
or Normative science is not neutral between ends.

→ Internal issues.

Internal issues means all those issues which can be control by the business.

→ external issues.

external issues means all those issues which are beyond the control of a business.

→ Risk

Risk means all the dangerous which can be cover under insurance.

loss by fire
loss by theft

→ uncertainty

uncertainty means all those dangerous which can't be covered under insurance

loss due to change fashion
loss due to increased competition

Unit 2. Basic problems of an economy and Role of price mechanism

Q. Capitalist economy means

Capitalist economy means in which all the factors private sector and all the decisions related to production and price are taken by market mechanism and price mechanism.

Interaction forces of demand and supply.

Q. Socialist economy means

Socialist economy means the economy in which all the factors of production are collectively owned and all the decision related to production and price are taken by government.

Q. Mixed economy

Mixed economy means mixed economy is the combination of socialism and capitalism.

Q. Central economic problems

- 1) What to produce → Capital goods, consumer goods
- 2) How to produce → (Capital use capital, labour use labourer)

- 3) For whom to produce
(पूरा और सिक, in india it gives to poor for upliftment)
- 4) what provision should be made for economic growth

when are goods produced } not an economic problem

→ According to Schumpeter **Mixed economy** is **capitalism under oxygen tent**.

↪ deductive method.

when logic proceed from **general** to **particular** it is called deductive method

↪ inductive method

when logic proceeds from **particular** to **general** it is called inductive method.