

Business Economics

CSSE-406

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Class: BSSE-3rd 4th Semester

ASSIGNMENT # 01

BASIC ECONOMICS Lecture Series-001

SUMMARY:

Basically economics means the knowledge of concerned with production, consumption & transfer of wealth. Economics is the study of how the productive & distributive aspects of human life are organized. Economics, defined from this perspective is the study of how societies answer the what, how & for whom question. Economist view things from different & unique perspective, they thing & view in critical ways.

: Economist people by nature wants actually are multicurious & diverse or multidimensional.

The resource for economics are ^{classified as} labour, ^{means} talent, tools, machinery, plants. ^{land & mineral deposit} these are the things which society fortunately blessed with it. These are also called economic resources.

productive resources, and by nature complete satisfaction is almost impossible.

It is social-science and efficient users concern. The economics basic definition is: achieve maximum satisfaction of economic agents according to that society's notion. In society we seek many goods and services to maintain our standard of living. The production satisfies our economic wants through the organizational system called as "economic system" or simply "the economy".

Scarcity & Choice:

Scarcity means shortage or in short supply. What we have by society is already limited by nature and the consumption of some is not repeatedly available. Key point is "limited supply" and "any resources that utilize the thing". For example Bread it growing to consume because it ultimately we have usage, and in exchange of all these services and good society bear the cost. "Not anything is free." Society use these things/resources to produce other things and making available and sacrifice one thing for another.

For example:- Iron.

- manufacture for car:- high cost / heavy

Investment / Return not immediately -
• manufacturers for provide low cost / consumable -
and reportedly have usage / can't stay for long time.

So we have to go for specific choices
Sacrifice is opportunity cost of choice.

- we can't have it all
- Scarcity restricts options and demands choices.
- Nothing is free so ultimately society bears the cost.
- Manufacturing a car is utilizing whereas brand is being consumed.
- Consumable products (Brand) decay in weeks but have low investment in it, so you must make wise thoughtfull choice in it. And for (Car) they produce more profit, but ultimately have heavy investments.
- Economics called such sacrifices opportunity cost.

Purposeful / Rational Behaviour:

- Individuals make different choices in different circumstances. Economist discover human behaviour reflects "rational self interest". Because a person seek pleasure / happiness / satisfaction by consuming more good and services. They want things which are in their self interest.
- It reflects that this are "Selfish behaviour" but actually it is in domain of "Self interest".

because resources not available for whole bunch of group. They want to enjoy every season.

- Rational behaviour means people make choices with some desired outcome in mind.
- Buying good product for yourself is not selfish, but rather in self interest.

for example: In city you'll go in small car for different purpose like to resist from traffic but in rural you choose big car. (different choices in different circumstances)

Marginal Analysis: Comparing Benefits & Cost

- If you going to pay for certain things which is not easily available than obviously going to pay more it and only if it useful for requirement for actual sense.
- Marginal means "Extra", "Additional to Previous".
- Marginal must be view as product.
- Analyzes what is going in benefit and what is up for more cost.

• for example: Pakistan's GDP

Pakistan have limited budget to consume over whole country. It has some portions that this parent invest here and there.

It has some choices like;

Pakistan should go to pay debt? or should increase in defense area?

we V should have make sustainable choices. Like we have to spend most on defence and we have no other choice because of India and some other neighbouring countries.

- Gain more benefits. like 17-thunder jet
- Spend more it definitely cost more for us.
- Marginal analyse means: you're paying more for the thing which satisfy your requirement in order to utilize it.
- Marginal costs must be greater than marginal benefit
- What is coming in benefit and what is going a cost (Pakistan's GDP example)

Theories, Principles & Models:

- In modern age we have scientific reason for everything.
research \rightarrow observation \rightarrow ^{hypothesis} \rightarrow dataset \rightarrow service.
- Physical science love economics.
- Testing the explaining hypothesis,
cause A cause of ^{event} X
if X happen \rightarrow A also (output).
- If it happens than otherwise it's not cause.
- After comparing result we'll say associate result satisfy or not or going to reject hypothesis.

• Second phase: eye traits test hypothesis with same type of event not with same.

→ continue testing hypothesis: A happens after X

for example: Pakistan pay debt, it become more free

[payment → A

foreign resource → X

→ foreign resource depleted after payment

• we are evolving economic theory.

→ Theoretical Economics

→ Policy economics

→ Base on specific theory

2 different ways

foreign minister / policy / neighbour

- Economic resources are always in scarce.
- So it cost it in real means plus, benefits for choice.
- Rational behaviour & critical scene choice for specific time.
- For because of Scarce things we have limited choice. Either payment for loan/debt or Settlement for position of economy.
- Invest in capital resources so we have to pay.
- And to built economic zone, the entrepreneurs built factories in return they business profit and help in Economy. This is Basic concept of scene theory. We have to create policy [we provide them initiate / facility / specific area / economic zone]

- That policy not increase the input of economy.
theoretical principle.
- ultimately benefit come for country
theoretical economics
- To observe (pre & post data), pre & post
effects of observation, testing this explanation,
pre & post condition associated with event
either accept or reject, repeatedly test hypothesis
now it become theory.
- Economic law or economic principle.
↳ Theoretical economics → based on certain facts.
↳ Policy " → based on theory.

* Generalizations

- e.g. During pandemic they sell on low price
economy shrink or expand, for other shrink,
for them expand.
- Price falls for anything they buying in bulk, and
when demand increase price increase.

* Other-Things-Equal-Assumptions-

- When we have to test any hypothesis you have to
keep all other things constant → ceteris paribus
- e.g. Cars of Germany they have certain facility for
European temperature, first make for local then
for global sale. but in Pakistan they face failure
because of high temperature and no use of
radiators they put radiator to overcome temp.

Issue: - Income before & purchasing power

* Graphical Representations

* Graphical Representations
Many economist also use this kind of representation.

- Policy Economics - It is related to specific part/time/region. Certain outcomes with it via economic goals. Economic goals are:

1. Economic Growth → provide more & more to economy for country growth.

- It cost for today & benefit for future.

2: Full Employment → doesn't mean full time job / willingness have specific job.

- Not everyone in country willing to work for others. They want work for themselves.

- mean all of those who able to willing to work for country.

3: Economic Efficiency → achieve maximum fulfillment of wants.

fronts always increase with

- resource always in liquid state (score)

- using of available product

4: Price Level Stability \rightarrow they shouldn't have high price surges or low inflation (high) [deflation (low)]

eg petrol increase everything increase.

5: Economic Freedom → Economics goals could be economics freedom.

→ free to work for anyone / anywhere / quit the job

→ be labour / owner for all.

↳ consumer perspective

↳ Business perspective.

→ services don't provide.

→ rich will become more richer and vice versa.
government have to take care of these things
importantly not in Pakistan home only. but in
Europe and America have strict check and
balance.

6: Economic Security → You must have to
provide basis (3x time food to feed)
in order to should provide policy for
country.

7: Balance of Trade → seek unstable balance
in transaction.

• Import more export less will ultimately
decrease less in country with diplo-mat.

• We have balance the trade.

Ex In Pakistan, people eat more so Import more
oil (1 in 2000). export less → unbalance.

• • create balance •

① Better balance

- no import/export \rightarrow Square of position
- more export \rightarrow Good position.

• There are 2-3 steps to create policy.

1- Goal \rightarrow what you need to do.

\rightarrow if you measure all the things.

2- Policy Option \rightarrow far up or far so

x ——— x ——— x