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Academic Education CBSE › Class 11 Commerce › Economics

Introduction

Economics: The Study of Choices and Scarcity

DEFINITION

Economics is the social science that studies how individuals and societies make choices about allocating scarce resources. It examines the production, distribution, and consumption of goods and services.

KEY CONCEPTS

Scarcity

Scarcity refers to the limited nature of society's resources, making choices necessary.

Opportunity Cost

Opportunity cost is the value of the next best alternative forgone when making a decision.

Demand and Supply

Demand is the quantity of a good consumers are willing to buy, while supply is the quantity producers are willing to sell.

Market Equilibrium

Market equilibrium occurs when the quantity demanded equals the quantity supplied, determining the market price.

Microeconomics vs. Macroeconomics

Microeconomics focuses on individual agents, while macroeconomics looks at the economy as a whole.

EXAMPLES

→ Choosing between studying for an exam or going out with friends.

→ Deciding to buy a new phone instead of saving for a vacation.

→ A farmer deciding how much land to allocate for corn versus wheat.

MEMORY TIPS

★ Remember 'scarcity' as 'limited choices' to connect with opportunity cost.

★ Use 'D-S' to recall Demand and Supply for market interactions.

★ Think of 'M&M' for Micro and Macro: Micro is small, Macro is big.

COMMON MISTAKES

✗ Confusing demand with quantity demanded.

✗ Overlooking the significance of opportunity cost in decision-making.

✗ Not distinguishing between microeconomics and macroeconomics.

QUICK RECAP

Economics studies how choices are made in the face of scarcity. Key concepts include opportunity cost, demand and supply, and market equilibrium. Understanding these principles helps analyze economic behavior and decision-making.