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# Introduction

Economics: The Study of Choices and Resources

## DEFINITION

> Economics is the social science that examines how individuals and societies allocate scarce resources. It explores decision-making processes and the consequences of those choices.

## 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 that is forgone when making a choice.

### Supply and Demand

Supply and demand are fundamental concepts that describe how prices are determined in a market.

### Market Economy

A market economy is one where decisions about production and consumption are driven by the interactions of citizens and businesses.

### Microeconomics vs. Macroeconomics

Microeconomics focuses on individual and business decisions, while macroeconomics looks at the economy as a whole.

## EXAMPLES

→ Choosing between buying a new phone or saving for a vacation.

→ A rise in demand for electric cars leading to higher prices.

→ A business deciding to produce more of a product based on consumer interest.

## MEMORY TIPS

★ Remember 'S.O.M.E.' for Scarcity, Opportunity cost, Market economy, and Economics.

★ Use 'D.O.C.' to recall Demand, Opportunity cost, and Choice.

★ Visualize a balance scale for Supply and Demand.

## COMMON MISTAKES

✗ Confusing microeconomics with macroeconomics.

✗ Ignoring the concept of opportunity cost in decision-making.

✗ Assuming supply and demand are always in balance.

## QUICK RECAP

Economics studies how people make choices with limited resources. Key concepts include scarcity, opportunity cost, and market dynamics. Understanding these principles is essential for analyzing economic behavior.