Quick Study Pointers

1. Definitions, Nature, and Scope of Economics

- **Classical Definition**: Economics is the study of wealth creation and distribution.
    - *Example*: Reliance Industries' wealth generation.
- **Modern Definition**: Economics studies how scarce resources are allocated to meet unlimited wants.
    - *Example*: Flipkart's resource management.

2. Nature of Economics

- **Positive Economics**: Describes economic phenomena (what is).
    - *Example*: India's GDP growth rate.
- **Normative Economics**: Prescribes policies (what ought to be).
    - *Example*: Tax breaks for startups debate.

3. Scope of Economics

- **Microeconomics**: Focuses on individual units like households and firms.
    - *Example*: Swiggy's pricing strategy.
- **Macroeconomics**: Studies the economy as a whole.
    - *Example*: Impact of GST on the Indian economy.

4. Difference between Microeconomics & Macroeconomics

Microeconomics

- **Focus**: Individual markets, consumer behavior, and firm decisions.
    - *Examples*:
        - Pricing strategies of Swiggy.
        - Consumer choices between Jio and Airtel.

Macroeconomics

- **Focus**: National income, inflation, and unemployment.
    - *Examples*:
        - India's overall economic growth.
        - Government policies like 'Make in India.'

5. Theory of Demand & Supply

- **Demand**: Quantity consumers are willing to buy at different prices.
    - *Example*: Demand for Jio's telecom services.
- **Supply**: Quantity producers are willing to sell at different prices.
    - *Example*: Supply of electric vehicles by Tata Motors.
- **Law of Demand**: Higher prices lead to lower quantity demanded.
- **Law of Supply**: Higher prices lead to higher quantity supplied.
- **Equilibrium**: Point where demand equals supply.

6. Elasticity

- **Price Elasticity of Demand (PED)**: Sensitivity of quantity demanded to price changes.
    - *Example*: Budget smartphones like Xiaomi.
- **Income Elasticity of Demand**: Sensitivity of demand to income changes.
    - *Example*: Increased demand for air conditioners with rising incomes.
- **Cross Elasticity of Demand**: Sensitivity of demand for one good to price changes of another.
    - *Example*: Tea demand increasing when coffee prices rise.
- **Price Elasticity of Supply**: Sensitivity of quantity supplied to price changes.
    - *Example*: Seasonal fruit supply in India.