

# CHAPTER 1

## INTRODUCTION OF ECONOMICS

Q1. What is economics ?

Ans. Economics is the study of the problem of choice arising out of scarcity of resources having alternative uses.

Q2. What is an economy?

Ans. An economy is a system by which people get their living.

Q3. What do you understand by positive economic analysis?

Ans. Positive economic analysis is confined to cause and effect relationship. In other words, it states "what is." It relates to what the facts are, were or will be about various economic phenomena in the economics. e.g., it deals with the analysis of questions like what are the causes of unemployment.

The features of actual economics or real statements are the following

- Illuminate the nature and extent of economic problems or Analyze past, current and future economic behavior
- This statement is based on facts and facts related to past, present and future, the truth of these statements can be checked.
- This statement does not reflect the narrative evaluation or ideas of economists
- For example, during the time of independence, the percentage of poverty-affected population in India is more than today, it is related to past tense.
- 22% of the present population is absolute poverty, below the poverty line, it is related to the present period
- If India's population continues to grow at the present rate then in the year 2020, the percentage of population below the poverty line will be more than 22% related to future period.

Q4. What do you understand by normative economic analysis?

Ans. Normative economic analysis is concerned with what 'ought to be'. It examines the real economic events from moral and ethical angles and judge whether certain economic events are desirable or undesirables. e.g., it deals with the analysis of questions like what should be the prices of food grains.

Some statements are given as

- MNREGA will end one day unemployment problem in the country
- MNREGA is a plan to provide financial assistance to unemployed people in rural areas of India only.
- MNREGA should be terminated because it uses taxpayers' money
- Features of the Ideal

It contains statement evaluation

- Contradiction and debate arises due to this statement
- This statement reflects only thoughts, so their truth can not be checked.
- This statement shows that 'what should be' the measure of any economic problem

Q5. What is a controlled or centralized economy?

Ans.

- Controlled or centralized economy is the arrangement where financial activity is the total control of the government or any central authority on the consumption and exchange of production.

- Economic decisions are taken into consideration of social welfare.
- Consumer power is interrupted (Central officials decide which items to be produced for the people)
- Most of the resources are controlled by the government. The government decides to sell the commodities in the market at what price
- Economic actions are active in the public sector

Q6. Independent economies or market economy

Ans.

- Independent economies or market economies where market forces are controlled by economic activities
- Economic decisions are taken to maximize profit
- Consumer domination is the consumer wants to buy items according to their choice
- Most of the resources are controlled by the public, the prices of goods and services are determined by the market.
- Economic actions are active in the private sector

Q7 What is mixed economy

Ans.

- These are the economies where financial actions are governed, yet regulated by the government
- Economic decisions are taken keeping in mind both social welfare and maximum benefits.
- There is consumer dominance but by the Public Distribution System, the Government ensures the Supply of necessary items to the consumers
- Both the public and the government are controlled by resources, prices are determined by the market but the government controls the price of essential commodities.
- Economic actions are active in both private and public sectors

Q8. Differences in Real Economics and Ideal Economics

Real economics	ideal economics
1. Real economics is related to past, present and future economic issues or economic behavior. 2. The meaning of actual economics is related to 'what was' 'what is' and 'what will' 3. The real statement is not always true, it can be true or false. For example if the population of India is more than the population of China, then it is definitely a real statement, but this statement is untrue because it can be investigated. 4. The facts and figures can be checked for the truth) in the form of a part of the real economics. 5. The true economics does not contain statement evaluation	1. Exact economic economics related to economic issues or economists' views on economic problems 2. The statement of ideal economics relates to 'what should be' 3. Ideal stories can not be called true or untrue. This statement only reflects the example. For example if old age pension should be terminated, it is only an idea. 4. Ideal stories can not be checked 5. Ideal Economics In the statement evaluation lies

Q9. Definition of Microeconomics?

Ans. This is the part of economics in which individual or a group's economic problems are studied.

Example 1. Studying the problems of a personal firm

2. Determining the price of an item

Q10. Define Macro Economics?



Ans. This is the part of economics in which economic problems related to the entire economy are studied.

Example 1. Study of economic problems of an entire economy

2. Price level and employment determination

Q11. Explain the difference in Micro Economics and Macro Economics

Ans.

Micro economics	Macro economics
1. It involves studying the financial problems of individual and one group. 2. Determining the price of an item 3. Pricing is done with the help of market demand and market supply.	1. It is studied in the economic problems of the entire economy. 2. Price level and employment determination 3. Equity and balance are determined with the help of total demand and total Supply

Q13. What is the use of alternative means of resources

Ans. More than one use of an instrument is called alternate use, as wheat or rice or vegetables can be grown in the land.

Q14. Define scarcity.

Ans : - Scarcity means shortage of resources in relation to their demand is called scarcity.

Q15. What is the problem of allocation or distribution of resources?

Ans. More than one use of an instrument is called alternative experiment, which causes problems of allocation of resources. Therefore, due to limited resources, it has to be decided that resources should be used in the use of which and not to be used.

Q16. Why should resources be used friendly

Or

What is the meaningful utilization of resources?

Ans. Due to limited resources, we should use them to achieve maximum yield per unit of equipment.

Q17. What is the problem of selection

Ans. To meet the unlimited needs of limited resources, it is a problem of economic choice which is called the problem of selection.

Q18. Why is selection problem

Ans.

- The resources is limited
- Human needs are unlimited
- There are alternative or many uses of the tools

Q19. What does the central problem mean?

Ans. Such economic problems that are found in every country and which have to be faced by every economy and whose solutions have to find each country are called central problems and the following are the reasons for their occurrence: 1. The instrument is limited

2. Requirements are unlimited

3. There are many uses of resources

Q20. Explain the relationship of scarcity and selection

Or

Explain economics with regard to being in the selection of scarcity

Ans. Resources are not only scarcity but there are many uses of this land that can be used for rice production or for making warehouses or making a factory, due to which the problem of selection arises, if the resources are not rare then anything is also obtained and the problem of selection does not arise.

Q21. Discuss the central problems of an economy.

Ans. We know that resources are limited. In relation to the unlimited wants, it is important to economise their use and utilise them in the most efficient manner. It leads to following central problems, that are faced by every economy.

(i) What to Produce? There is limited resources and thus producers can not produce all the goods, in an economy. So, every economy has this problem that what to produce and in what quantities. It has two dimensions

(a) Kinds of goods to be produced

(b) Quantity of goods to be produced.

(ii) How to Produce? This problem refers to the selection of technique to be used for production of goods and services. There are various techniques available to produce goods

(a) Labour Intensive Techniques

(b) Capital Intensive Techniques Thus, it is difficult to allocate the resources efficiently and effectively.

(iii) For Whom to Produce? Due to lack of resources in every economy, can not satisfy all the wants of its people. So, there is problem to select the category of people who consume the goods. Whether to produce goods for rich section or poor section of society or more for rich and less for poor section. Thus, every economy faces the problem of allocating the scarce resource to the production of different possible goods and services and distribution of these among the individuals within the economy. The allocation of scarce resources and the distribution of the final goods and services are the central problem of any economy

Q22. How to solve central problems in capitalist or free economy or market economy.

Ans. All resources of production in this economy have a personal right on resources, solutions of all types of central problems are taken into consideration, depending on demand and supply.

Q23. Describe the solution to the central problem in socialist or closed economy

Ans. All the means of production in this economy have a governmental authority, so central problems are resolved in a planned manner keeping social welfare in mind.

Q24. Describe the solution of central problems in mixed economy

Ans. In this economy, both the private or the public have the right to the means of production, so the solutions to some central problems and the solution of some central problems is taken into account of the economic welfare.

Q25. How to be produced for a lesser developed country like India, is a complex problem, explain how

Or

Why is more unemployment in India when rarity of resources is a universal fact

Ans. Compared to capital in India, labor is found in excess quantities, it has to be made between labor and capital that maximum yield can be obtained. Most labor in India remains unemployed; therefore, underdeveloped countries like India face unemployment; India lacks capital and without the use of capital without labor



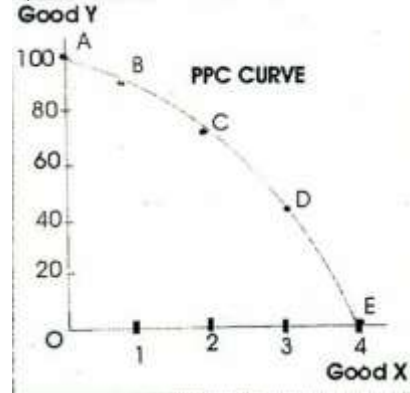
Q26. What is the production possibility curve or the conversion curve and explain its Assumptions and feature with the help of table and diagram

Ans. Myths: -

- Production of only two items in the economy
- The technology stays stable
- Full use of all limited resources
- All employees are given work

Definition: - The curve produced by the combination of two goods is called the production probability curve, which can be achieved by an economy with the help of its limited resources and stable technology.

Groups	Goods X	Goods Y
A	0	100
B	1	90
C	2	70
D	3	40
E	4	0



As shown in table and diagram, in the economy, goods X and goods Y are produced from the limited means in the economy. Conjunctions from point A to E are shown, goods X and maximum output of item y can be 4 and 100 units.

Features :-

- From left to right it is on the downward slope
- slope of PPC is Concave

Q27. What is opportunity cost?

Ans : - It is the cost of next best alternative foregone.

Q28. MARGINAL OPPORTUNITY COST

Ans. MOC of a particular good along PPC is the amount of other good which is sacrificed for production of additional unit of another good.

Q29. MARGINAL RATE OF TRANSFORMATION

Ans. MRT is the ratio of units of one good sacrificed to produce one more unit of other good.

Q30. What is the meaning of the output Attainable groups ?

Ans. This is a coincidence which is manifested by those points which are contained within it on PPC, and all these cooperation can get an economy from its given resources

Q31. What does the use of unattainable cooperation with production

Ans. This is the collaboration that is manifested by those points which are outside PPC

Q32. What is the expected level of production

Ans. This is the level of production that can be achieved by the full use of the tools

Q33. What does the slope of PPC show?

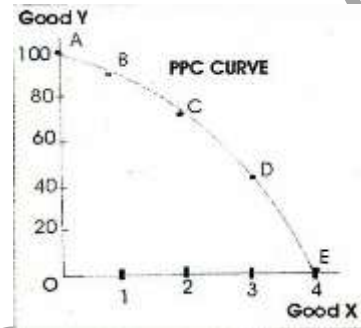
Ans. The slope of PPC indicates the increasing marginal opportunity cost.

Q34. What does the actual rate of production mean

Ans. This is the level of production that can actually be obtained from the given tools

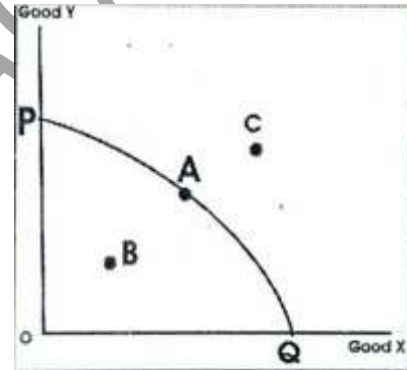
Q35. Demonstrate the position of full employment in the picture

Ans. When the points are selected in the economy that the production is located on the probability curve, then there is a full employment situation such as A, B, C and D at points



Q36. Illustrate the emergent employment, full utilization of resources, and the status of full employment in the picture.

Ans. All points which are located within the production Possibility curve do not reflect the full use of incomplete jobs or resources like B point. All points of the same type, which are located on the production probability curve, tell the situation of full employment as if this point A but C point is unreachable point or excessive employment is what it says.



Q37. Tell me when PPC can be a straight line

Ans. When the marginal opportunity cost rate is equal, PPC can be a straight line, but in fact it does not happen.

Q38. What does a point inside the PPC indicate?

Ans :- Any point inside the production possibility curve indicate underutilization of resources.

Q39. Tell me when the production prospect curve PPC can be elevated

Ans. When the marginal opportunity cost decreases then the slope of PPC may be elevated, but this does not happen, increasing rate of MRS is found, due to which the slope of PPC is found to be very good

Q40. Under what circumstances will the impact on the production possibility curve

1. Skill Development Plan launched by the Government of India

This scheme will increase the number of skilled and skilled people working like human capital and which will be able to produce more than before, due to which PPC Shift forward

2. Terrorist attack on the roof of human life

This will reduce the number of people capable of doing efficient and efficient work like human capital and which will be able to produce less than before, due to which PPC shift backwards.

3. Transfer of a group of teachers working in government schools to another government school school



It has no effect on the production curve, no effect will be affected

4. Jan Dhan Yojana released by the government

This scheme will increase the deposit amount for the investment to the firms with the bank, which will increase the investment, will now be able to produce more than before, due to which PPC shift forward.

5. Sarva Shiksha Abhiyan and Skill Bharat Abhiyan

Sarva Shiksha Abhiyan and Skills Bharat Abhiyan will improve the quality of work force in the economy, the technical level will increase, accordingly the production possibility curve can turn left

6. Make in India Campaign

In India, the campaign focuses on the inter-alienation of foreign capital in the domestic economy, it increases the achievement of resources in the domestic economy, accordingly PPC moves towards right

BRIGHT FUTURE ACADEMY

## **BRIGHT FUTURE ACADEMY ECONOMICS BY SANJEEV KUMAR**



# NOTES

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