



Class:- 11<sup>th</sup> CBSE  
Introduction of Economics  
Subject :- Economics  
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Topic:-  
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**Economics :-** The word economics derived from ancient Greek word **Oiks** which means **Household & Nemeins** Which means **Management**. Economics tell us how unlimited wants can be satisfied with limited Resource by making there best use.

#### Various Definitions of Economics

**1. Adam Smith :-** He is the father of economics . According to adam smith ' **Economics is the science of wealth'** Wealth means money he define economics as " Study of nature and cause of generation of wealth of Nation.

**2. Alfered Marshel :-** He define that Economics as " Study of wealth and on other important side study of mankind"

**3. Lionel Robbins :-** He define that Economics is " Science which study human behaviors as a relationship between ends (wants) and Scare (limited) having alternatives uses.

**Scarcity :-** It refers to limitation of supply in relation to demand of commodities . Human wants are unlimited but resource are limited that means resource are scare & we have to satisfy unlimited work of human with scare resource .

**4. Anthony Samuelson :-** He define that Economics as the "study of how man and society choose with or without the use of money to employ scare productive resource , which could have alternative uses to produce productive resource".

#### Types of economics

Micro Economics	Macro Economics
1. Micro means small part so micro economics deal with small part of national economics	1. Macro means large part so that macro economics deal with large part of economics activity of country .
2. It deals with particular sectors of economics	2. It deals with all sectors of economy.
3. Micro economics called as slicing method & value theory method	3. Macro economics called as lumping method & income method .
4. Micro economy determine price of particular commodity.	4. Macro economic aim to determine national income of economy.



### Different Economics Activities

<b>1. Capitalisation Economics System</b>	<b>2. Socialism Economics System</b>	<b>3. Mixed Economics System</b>
It is private undertaking economy where control of only private sector	It is government undertaking economy which is also called as Central plan economy system.	Under this economy having control of both undertaking economy.
<b>Example</b>	<b>Example</b>	<b>Example</b>

<b>Positive Economics</b>	<b>Normative Economics</b>
1. It is described by Robin , It is deal with the things as they are & there causes & effect only.	1. It is describe by marshell, It is deal with things as they ought to be .
2. It is descriptive in nature	2. It is prescriptive in nature
3. This kind of economy doesn't discuss the right and wrong things & not pass any Judgment .	3. this kinds of economy discuss right and wrong things also pass judgement .
4. It is doesn't offer any kinds of suggestion about the facts.	4. this kinds of economy is more practice and pass some suggestion about the facts
5. Example :- Current Indian economy is the fastest growing Economic in the world	5. Example :- India should take strong decision for their Growth .

### Central plan Economy

- It is called a social economy system or control economy.
- Under this economy system central government and state government plans for all important activities
- Main motto under this economy is social welfare and not for profit
- Under this economy central authority may allocate resource to society as whole.
- All the basic decision related to working of economy taken by central authority which is called as Planning decision.

### Central Problem of Economic

Production, exchange and consumption of goods & service are the basic economic activities of life . In the course of these activities , every society has to face scarcity of resource which gives to the problem of choice . In other word every society has to decide on how to use its scare resource . Thus broadly the central problem of an economy is allocation of resource.

**Allocation Resource :-** Allocation of Resource refers to the problem of assigning the scare resource in such a manner so that maximum wants of the society are fulfilled . As resource are limited in relation to the unlimited wants , it is important to economics their use and utilize them in the most efficient manner



### **The Problem of allocation of resource is studies under three heads**

- 1) What to Produce :-** The producer will produce those goods which are more in demand and less in supply. Such goods offer high price Price and high profit to the producers.
- 2) How to Produce :-** The producer will use those inputs which keep their cost of production as low as possible, So that their profits are maximized.
- 3) For whom to Produce:-** In a free economy, the producers will produce goods for those people who can afford to pay high price. Poorer sections of the often ignored. It causes the problem of Economic Divide .

### **Production possibility Curve**

In economy PPC or Transformation Curve is a graph that shows the different rates of production of two groups, that are individual groups can effectively produce with limited productive Resource .

- **Assumption**

1. There are two types of goods produced.
2. Resources are limited and fixed (Land, Labour, Capital)
3. Resources are neither unemployed nor underemployed.
4. Technology doesn't Change .

- **Characteristics of PPC**

1. PPC is always downwards sloping
2. PPC is concave shape Curve

- **Opportunity Cost**

Opportunity Cost is the cost of giving up one opportunity in terms of the loss of the other opportunity. It is the cost of next best alternative

**for example** Suppose you receive Two job offers .

First job gives you ₹ 35,000 salary P.M and Second job gives ₹ 30,000 P.M. If you select the job of ₹ 35,000 P.M, and sacrifice ₹ 30,000 salary P.M job that amount is called as Opportunity cost .

Production Possibility	Cloth (In 1000 Meter)	Wheat (In 1000 Kgs)	Opportunity Cost
A	0	15	
B	1	14	
C	2	12	
D	3	9	
E	4	5	
F	5	0	

- **Marginal Opportunity Cost (MOC)** :- It refers to the number of unit of commodity sacrifice to gain One additional unit of another commodity .
- **MRT** :- It is the rate at which the units of output of one good are sacrificed to produced one more unit of other good.

$$MRT = \frac{\text{Units of one good sacrifice}}{\text{Units of other good gained / Produced}}$$

Combination	Goods X (Wheat)	Goods Y ( Cloth)	MOC/MRT
A	0	100	
B	1	90	
C	2	70	
D	3	40	
E	4	0	

**Q.1) Compute MOC and MRT from the following data.**

Goods X	0	10	20	30	40
Goods Y	200	180	140	80	0

**Q.2) A farmer Produce 100 Kg of wheat on a price of land with the help of a given quantity of reasons , If this farmer can also produce 70 Kg of rice with the same quantity of resource , then what is the opportunity cost of producing Wheat ?**

**Q.3) A country produce two commodities: X and Y . Its production possibilities are shown in the following table .**

Possibility	A	B	C	D	E	F
Commodity X	20	14	9	5	2	0
Commodity Y	0	1	2	3	4	5

- Calculate MRT
- Construction a PPF with help of various possibilities
- Comment in the shape of PPF along with its reasons