

# 1. Introduction to Economics

## Exercises

### 1 A. Question

Fill in the blanks with suitable words:

The word 'Economics' originates from the Greek root words.....  
and.....

### Answer

Oikos and Nomos

Oikos translates to household and nomos to management. Hence economics are the study of house hold management, with limited resources and choices to make.

### 1 B. Question

Fill in the blanks with suitable words:

The basic economic problems of every individual is \_\_\_\_\_ and \_\_\_\_\_ .

### Answer

Scarcity and Choice

An individual must choose to allocate its limited resources to satisfy his/her wants, on a priority basis. E.g.: An Individual may have only limited money to eat in a restaurant or to buy a book, hence limited resource (scarcity), and a choice to make (book or restaurant).

### 1 C. Question

Fill in the blanks with suitable words:

The activities that generate income are \_\_\_\_\_ .

### Answer

Economic activities

All the activities performed to earn money to satisfy our needs and wants are called Economic activities.

### 1 D. Question

Fill in the blanks with suitable words:

Micro Economics is the study of units.

**Answer**

Small and/or individual units

Micro economics is the study of how individual units make a decision, to use scarce resources to satisfy needs and wants.

**1 E. Question**

Fill in the blanks with suitable words:

Macro Economics is the study of units.

**Answer**

Total or/and Large

The economic decision was taken as a whole (for a state, country, industry etc.) and which affect the whole economy and not just an individual is known as Macro Economics.

**2 A. Question**

What is Economics?

**Answer**

- Economics is a branch of social sciences which tells us how to utilize the scarce resources efficiently.

Economics is divided into two parts i.e. Micro Economics and Macro Economics.

- Micro Economics: In this branch of economics we study about the economy of an individual firm. For Example, Demand for television goes down that it may have an effect on the television industry only.
- Macro Economics: In this branch, we learn about the economy as a whole which may influence the various aspect of society. For example, Rise in prices of petrol may affect the other sectors of the economy and can influence the political situation of that region.

**2 B. Question**

Define scarcity.

**Answer**

Scarcity can be defined as the availability of limited resources in economics term. Hence, due to these “limited resources”, society or/and individual must prioritize their needs and wants, as to make choice.

**2 C. Question**

List the different economic activities.

**Answer**

Different Economic activities are as follows:

- **Production:** This includes the production of goods and services. For example, Production of various crops, Mining activities, transportation, etc.
- **Consumption:** This activity includes the consumption of goods and services which people buy to satisfy their needs. For Example, People consume the services provided by the doctor for medical treatment.
- **Exchange:** In this activity, the exchange of goods and services takes place in which money uses as a medium of exchange. For Example, Ram paid Rs 5 to buy a pen.
- **Distribution:** In this activity distribution of income takes place which is earned through products and services. This income is divided among the various means of production which includes land, labour, capital, etc.

**2 D. Question**

When you buy a pen, which branch of Economics analyses your decision?

**Answer**

Micro Economic branch will analyze my decision because:

- a. It will determine demand and supply for the product
- b. The price that an individual would be willing to pay to satisfy the need.

**2 E. Question**

Define Micro Economics.

**Answer**

Micro economics is the study of how individual units make a decision, to use scarce resources to satisfy needs and wants. It refers to study of decision making at a small level, at that of Household, business firm and individuals.

**3 A. Question**

What are the economic activities?

**Answer**

All the activities performed to earn money to satisfy our needs and wants are called Economic activities. They include:

- a. Production

Activities that produce goods and services. (Agriculture)

## b. Consumption

All the activities in which all the produced goods are bought for the purpose of satisfying our wants and needs is known as consumption. (Buying Ice-cream)

## c. Exchange

When there is an interaction between two parties, generally the buyer and the seller for the purpose of exchanging goods and services, which satisfies the needs of both of them. (Transportation: Buyer hires a transporter to transport apples in EXCHANGE for money)

## d. Distribution

All the income generated through all the activities, such as production, consumption, and exchange, must be redistributed to the factors of production (Entrepreneur, land, labor, and capital). These lead to the price discovery of factors of production.

An activity can easily move in and out of “economic activity”. Example - women teaching his son to cook for free are not an economic activity, but charging fees to other student is an economic activity.

## 3 B. Question

Why do we need to study Economics?

### Answer

Following are the needs:

- a. To understand the scarcity of resources against it wants
- b. To prioritize decision making
- c. To identify the efficient use of limited resources
- d. Contribute towards the economic development
- e. Contribute towards government’s revenue, as to help them serve society through policies and programs
- f. Understand the Socio-economic problems of an economy and to find solutions for them
- g. To develop policies such that they contribute towards the development of the country.

## 3 C. Question

Differentiate between micro and macro-economics.

### Answer

Difference between Micro and macro-economic activities	
<b>Micro Economics</b>	<b>Macro economics</b>
The branch of economics that studies the behaviour of an individual consumer, firm, family is known as Microeconomics.	The branch of economics that studies the behaviour of the whole economy, (both national and international) is known as Macroeconomics.
They deal with individuals	They deal with aggregate economic variables
Helps to identify factors such as, prices of factors of production, demand, and supply etc.	Helps to identify factors such as employment level, national income, inflation, deflation etc.

### 3 D. Question

What are the basic economic problems?

#### Answer

Following are the basic economic problems:

a. What to produce?

It depends upon the type of resources available and the needs and wants of people in the economy combined with their skill set and competencies to produce those goods.

b. How to produce?

An economy should decide what kind of technology to use, should it be labour intensive or machine intensive. What combination would result in optimum utilization of resources must be identified and utilized.

c. For whom to produce?

This problem deals with the distribution of produced goods and services. An economy must strive for equilibrium and just distribution of wealth and resources which are scarce in nature.

### 3 E. Question

What major economic decisions are taken by the government?

#### Answer

Following are the decisions:

a. Collection of taxes

b. Infrastructure development

c. Expenditure on socio-economic development

d. Controlling inflation, deflation and employment rate

These are some of the major decisions of various other decisions that are taken by the government.

#### **4 A. Question**

List the economic activities that members of your family are engaged in.

#### **Answer**

Following are the activities:

- a. Producing bakery items (Production)
- b. Buying essential goods and services for daily needs ( Consumption)
- c. Paying salary to bakery staff (Distribution)
- d. Transportation of baked goods (Exchange)

#### **4 B. Question**

Identify the various economic activities of the people around you are engaged in.

#### **Answer**

Following are the activities:

- a. Fishing
- b. Farming
- c. Shopkeepers
- d. Vendors
- e. Taxi drivers

#### **4 C. Question**

List the goods that you consume every day.

#### **Answer**

Following is the list:

- a. Fruits and Vegetables
- b. Milk
- c. Transport services
- d. Electricity

#### **4 D. Question**

Observe how farmers decide what crops to grow and which inputs are to be used to grow those crops.

**Answer**

Farmers in my area use a combination of both capital and labor intensive technology to grow their crops. They also observe climate and rainfall. Depends on capital farmer have in hand from which they can buy quality seeds, pesticides, and fertilizers. Other factors are as follows- Tractors, manual sowing, fertilizers etc.

**4 E. Question**

Does your school Head Master adopt economics? Conduct a small interview.

**Answer**

Running a school is an economic activity in itself because it includes activities such as:

- a. Collection of fees
- b. Paying a salary to staff
- c. Consumption of other resources, such as water and electricity.
- d. Education is also a capital. School produces human resources which are more important for society.