

SOME BASIC CONCEPTS

OF ECONOMICS

1. Scarcity:

Scarcity is the limited availability of a commodity, which may be in demand in the market or by the commons. Scarcity also includes an individual's lack of resources to buy commodities. The opposite of scarcity is abundance. Scarcity is a situation in which the needs and wants of an individual or group of individuals exceed the resources available to satisfy them.

2. Choice:

Choice refers to the ability of a consumer or producer to decide which good, service or resource to purchase or provide from a range of possible options. Being free to choose is regarded as a fundamental indicator of economic well being and development.

3. Opportunity cost:

When an option is chosen from alternatives, the opportunity cost is the "cost" incurred by not ~~enjoy~~ enjoying the benefit associated with the best alternative ~~or~~ choice. For example, if a self-employed person makes a profit of Rs. 80000 a year but pays himself no wage, he needs to consider the alternative use to which his time could be put. He might be able to earn Rs. 100000 a year working for someone else. This one lakh rupee is the opportunity cost of his time.

4. Goods and services:

Goods are ~~the~~ items that are usually tangible, such as pen, salt, apples etc. Services are activities provided by other people, who include doctors, barbers, waiters, nurses etc. According to economic theory, consumption of goods and services is assumed to provide utility to the consumer or end-user.

5. Utility:

Utility is a term in economics that refers to the total satisfaction received from consuming a good or service. Economic theory theories based on rational choice usually assumes that consumers will strive to maximize their utility. The economic utility of a good or service directly influences the demand, and therefore price of that good or service.

6. Want and demand:

Desireness for a good or service by a consumer or producer is know as want. On the other hand, demand refers to the desireness for a good or service which is supported by the purchasing ability of the consumer or producer is known as demand.