

SOCIAL SCIENCE • CLASS 9

CHAPTER 8

Building Blocks in Economics

The Problem of Choice

CHAPTER NOTES



ECONOMIC CHOICES — NEEDS, WANTS AND MARKETS

NEEDS



Food



Clean water



Shelter



Basic clothing



Healthcare and education

- Every day, individuals, enterprises and governments make economic choices.
- A **need** is essential for living and well-being: food, clean water, shelter, basic clothing, healthcare and education.
- A **want** is something desired for comfort or enjoyment; wants are unlimited and keep changing: gadgets, vacations, luxury items.
- A **market** is a place or system where goods and services are bought and sold; it may be physical or online.

WANTS



Gadgets



Vacations



Luxury items

Wants change over time.

Today → Tomorrow → Future

THREE EXAMPLES OF ECONOMIC CHOICES

① POCKET MONEY



Snacks now

OR



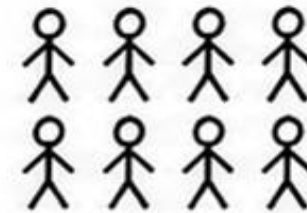
Save for shoes

② SCHOOL LIBRARY



Five books

OR



Twenty students

③ GOVERNMENT CHOICE



Build more highways

OR



Build more hospitals



KEY IDEA: Limited means force us to choose among needs and wants.

SCARCITY, RESOURCES AND ALTERNATIVE USES

- Resources are factors used to produce goods and services.
- Human wants are unlimited, but natural and human-made resources are limited. This mismatch is scarcity.
- Because resources are scarce and have competing uses, individuals, enterprises and governments must choose how to use them.

① LAND



natural resources such as soil, water and minerals.

② LABOUR



human physical and mental effort.

③ CAPITAL



tools, machines, buildings and money used for production.

④ TECHNOLOGY

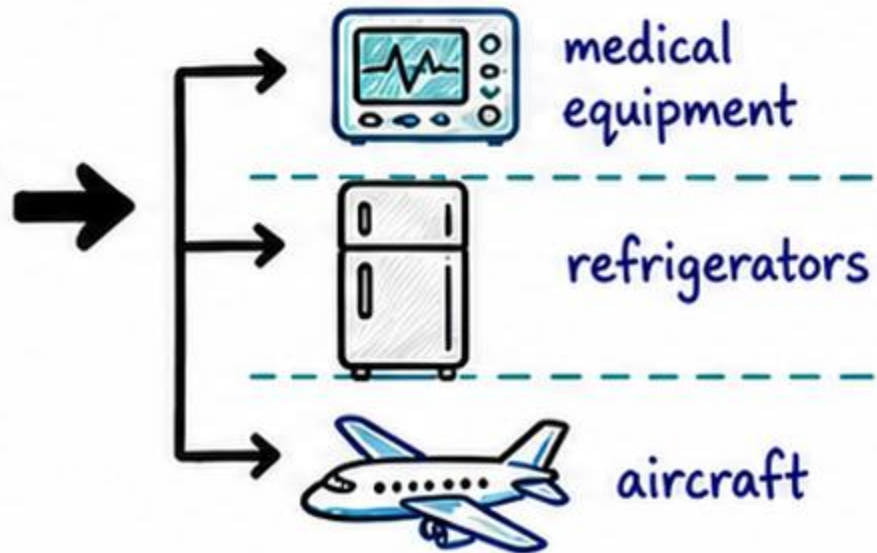


knowledge, methods and processes used to produce.

ONE RESOURCE, ALTERNATIVE USES:



STEEL



THE CORE ECONOMIC PROBLEM

UNLIMITED WANTS

+

LIMITED RESOURCES



SCARCITY



CHOICE



KEY IDEA: The same scarce resource cannot be used for every purpose at the same time.

OPPORTUNITY COST — WHAT WE GIVE UP

- ★ Opportunity cost is the value of the best alternative given up when a choice is made.
- ★ It arises because scarce resources have alternative uses.
- ★ It is not always money; it may be time, output, income, or another benefit.

① **LIST**
the possible
alternatives.



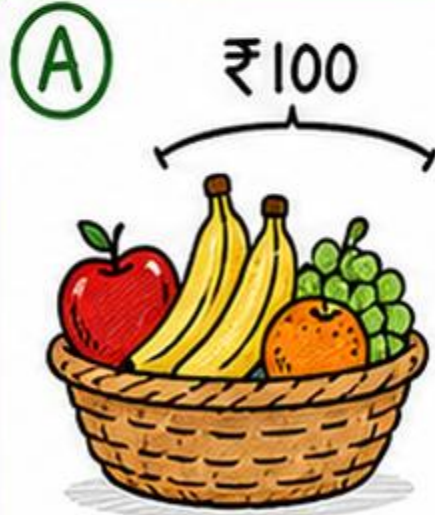
② **CHOOSE**
one
alternative.



③ **IDENTIFY**
the best
alternative
not chosen.

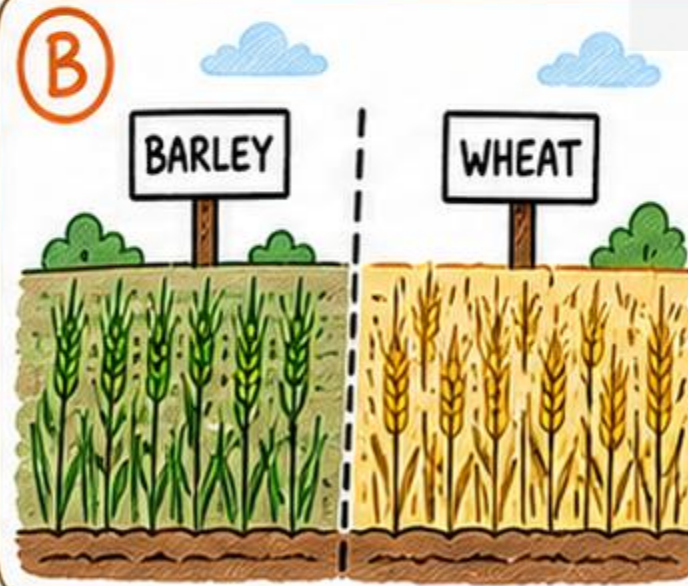


④ Its value is the
**OPPORTUNITY
COST.**



OR

Spend ₹100 on fruit OR save it for shoes. If fruit is chosen, the benefit of saving for shoes is given up.



A farmer uses limited land for more barley; some wheat output is sacrificed.



Government builds more hospitals; some possible highway construction is forgone.



Every choice has an opportunity cost.

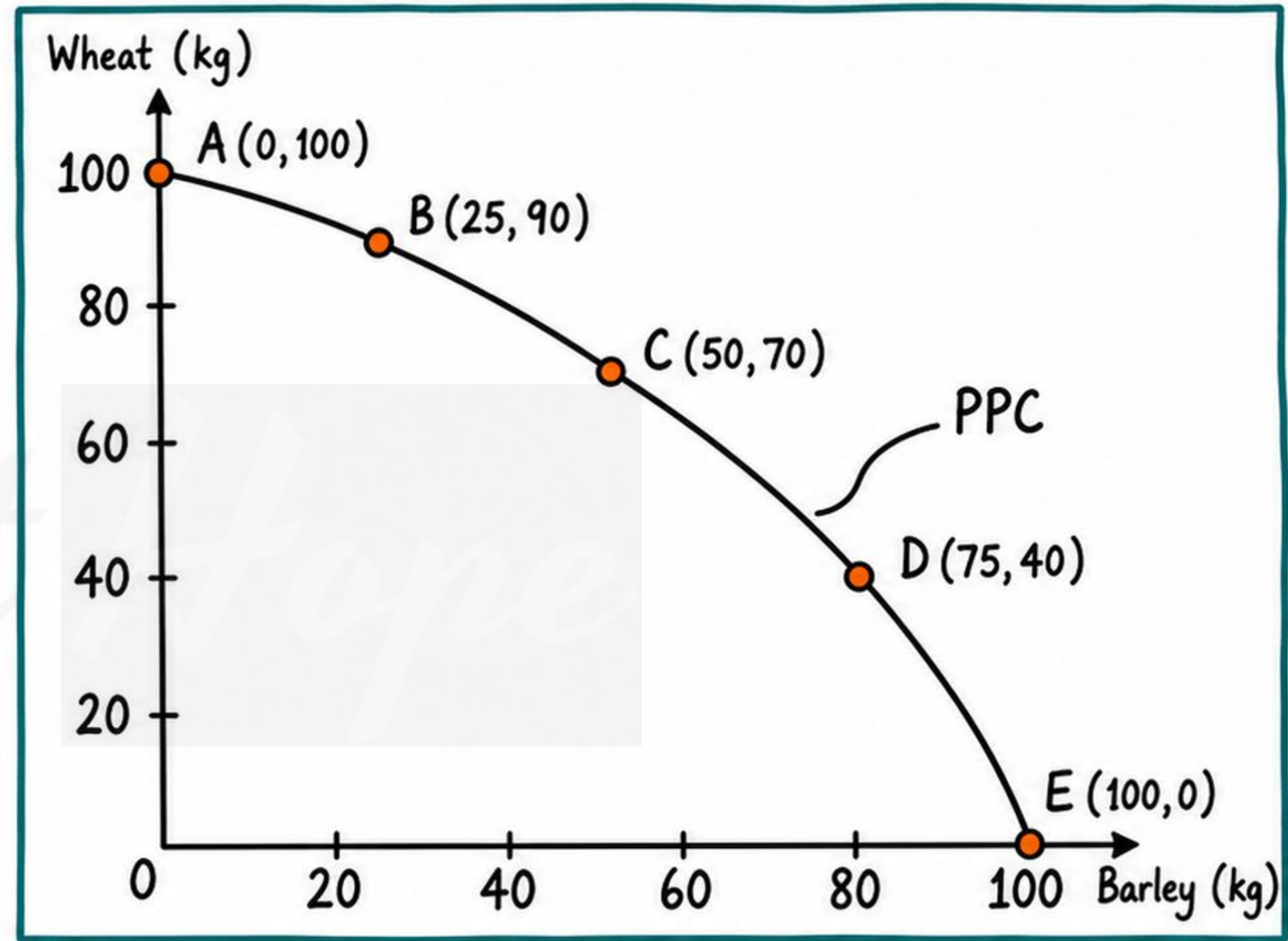


PRODUCTION POSSIBILITY CURVE — TABLE TO GRAPH

DEFINITION: Production Possibility Curve (PPC): a curve showing different combinations of goods that can be produced using all available resources.

SCENARIO: A farmer has limited land, water and labour and can grow barley and wheat.

Combination	Barley (kg)	Wheat (kg)
A	0	100
B	25	90
C	50	70
D	75	40
E	100	0



① Read the production combinations.

② Put barley on the x-axis and wheat on the y-axis.

③ Plot A to E.

④ Join the points to obtain the PPC.

Moving along the curve changes the mix of barley and wheat.



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