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शक्तिउत्थानआश्रमलखीसरायबिहार

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Q22. Define and explain the importance of ‘scarcity’ and ‘opportunity’ in economics.

Ans. Scarcity is the condition that exists when there are not enough resources to satisfy all the wants of individuals or society. Any resource that has a non- zero cost to consume is scarce to some degree, but what matters in practice is relative scarcity. Scarcity is also referred to as "paucity”. Economics is the study of how people use scarce resources to satisfy unlimited wants. At the core of economics is the idea that our world is a place plagued with scarcity — that is, we do not have all the resources we want. As a result, we must make choices. When we make a choice, that choice necessarily means that we have to give up something. The something we give up is called opportunity cost. Economists define opportunity cost as the next best alternative or the highest valued alternative to the choice that was made. If we choose to produce a good using a resource, the opportunity cost of producing that good is the highest valued alternative use of that resource. Opportunity Costs — the next highest valued alternative that is given up when a choice is made. There are limits to the quantity available of every resource that is utilized in the economy. This is what leads to all goods and services having a price. If there was no scarcity of resources, everything would be available for free. Opportunity cost is related to scarcity as neither the consumer nor the producer has an unlimited resource of anything.

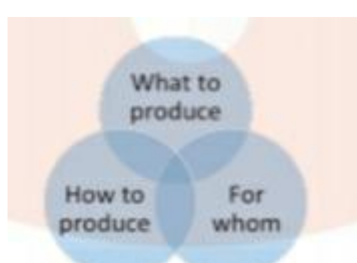
Q23. What are the different ways in which resources can be allocated and what are their respective advantages and disadvantages?

Ans. There are several ways that resource can be allocated efficiently in an economic system. They are:

• What to produce

• How to produce

• For whom to produce



Other ways are to maximise the production for the end customers. When the resources are used with the available resources to the maximum limit, then we can say we have efficient production. Efficiency in consumption happens when the amount is supplied is equal to the amount demanded. In this scenario, there is no surplus or deficit. When market forces are freely allowed to play out in an economy, resources are more likely to be properly allocated. The goal of any economic system is to have an efficient allocation of the resources. How an economy decides, how to allocate its resources is its economic system.

There are mainly three kinds of economic systems in this world, they are Free Market Economy, Planned Economy and Mixed Economic System. India follow mixed economy system.

Advantages of allocation of resources:-

1. Any market system for that matter, automatically responds and adjusts to the public demands. If consumers want a particular good or a service, they simply demand for it and the prices go up, which gives signal for the producers to produce more of that good. If producers can produce the required amount of that particular good, the price automatically comes down to normal.

2. Availability of wider variety of goods and services. In a market system, producers compete with each other by offering wider variety of goods, therefore consumers have more choice, this may even lead to lower prices

3. Government does not have to take decisions on basic economic questions. Economic system relies on producers and consumers to decide on what, how and for whom to produce. Therefore it does not require the government to employ a group of people to take these decisions.

4. Resources are allocated according to the needs of consumers. The profit motive forces producers to reduce costs and use the resources more efficiently (avoids wastage). The profit motive also encourages producers to be more innovative, and resource allocation is directed towards better products and services.

5. Efficiency of the producer. Firms that produce goods using the cheapest method of production are said to be efficient. Firms in any economy try to be efficient in order to make high profits. New methods of production and better machinery can help firms to reduce costs.