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What Is Economics?
Economics is the study of how people, businesses, and governments make choices about using limited resources. In simple words we have limited resources (money, time, materials) ,and we have unlimited wants (things we wish to buy or do). Economics helps us understand how people decide what to produce and what to buy, why things cost what they do, how countries grow their economies, why there are problems like unemployment or inflation. At its core, economics is about choices and trade-offs—deciding what's most important and how to get the best possible outcome.

What is a Market and how it works?
Economists use the term market not to describe a shopping mall or bazaar. In economics, a market is a system where buyers and sellers interact to exchange goods and services. It's not necessarily a physical place, but rather a network or mechanism that facilitates transactions. Key features of markets:

• Markets can be physical (like a retail outlet) or virtual (like an online store).
• Prices in a market are determined by supply and demand.
• Other types of markets include black markets, auction markets, and financial markets.

Markets are platforms where buyers and sellers gather and interact. When there are many sellers, the market tends toward perfect competition. Prices are shaped by the forces of supply and demand: sellers supply goods, and buyers demand them. A market reaches equilibrium when supply matches demand, resulting in a stable price.

Scarcity: The Root of All Economic Problems
Scarcity means we have limited resources but unlimited wants.
You might want a new phone, a trip to Bali, and a weekend off — but time, money, and energy are limited. This mismatch forces us to make choices. Scarcity is why economics exists. If everything were unlimited, we wouldn't need to choose. Opportunity Cost is What You Give Up to Get Something Else as every choice comes with a cost — not always in money, but in what you didn't choose. For example: If you spend 3 hours gaming, your opportunity cost might be the study time or exercise you skipped. Ask yourself: "What am I giving up by choosing this option?"

The Four Factors of Production: Building Blocks of the Economy
Everything that gets produced — from a sandwich to a spaceship — requires these 4:

Land — All natural resources: water, oil, forests, minerals.
Labor — Human effort - physical and mental. From baristas to architects.
Capital — Not money, but man-made tools used to produce goods: machines, buildings, tech.
Entrepreneurship — The risk-takers who combine the other 3 to create goods/services.

What Are Supply and Demand?

Demand

Law of Demand: As price falls, the quantity demanded increases.

(Why? When things are cheaper, people feel richer and want to buy more. Simple as that.)

What causes demand to shift?

1. Income changes: If income increases and the good is normal, demand increases. (Think: more money, more coffee.)
2. Price of substitutes: If the price of Coke goes up, Pepsi becomes relatively cheaper → demand for Pepsi increases.
3. Price of complements: If peanut butter becomes expensive, fewer people buy it → demand for jelly drops too.
4. Population growth: More people → higher demand for goods.
5. Expectations: If people expect prices to rise soon, they'll buy now → demand increases today.

Supply

Law of Supply: As price rises, quantity supplied increases.

(Why? Higher prices = more profit = producers are happier to produce more.)

What causes supply to shift?

1. Cost of production: If input costs rise (e.g., materials, labor), supply decreases. It's more expensive to make the good.
2. Technology improvements: New, efficient tech → higher productivity → more supply.
3. Number of sellers: More sellers in the market = more supply available.
4. Future price expectations: If producers expect higher prices in the future, they might hold back supply now to sell later at a higher price.