



INDIAN SCHOOL AL WADI AL KABIR

Class: IX	Department: SOCIAL SCIENCE	Subject: Economics
Chapter 11 Question Bank :1	Topic: Why Choices Matter: The Basics of Economics	Year :2026-27

Q 1	<p>Analyze the concept of scarcity in Economics and demonstrate its impact with examples.</p> <p>Ans:</p> <ul style="list-style-type: none">• Scarcity is the fundamental economic problem that arises because human wants are unlimited while resources are limited.• People, families, businesses, and governments cannot satisfy all their desires at the same time, so they must make choices and face trade-offs.• Scarcity does not mean something is completely unavailable; it means resources exist in limited quantities compared to the endless wants people have. This is why even developed countries experience scarcity, as no nation has unlimited resources. <p>Examples of Scarcity:</p> <ul style="list-style-type: none">• Family Budget: A household with fixed monthly income must balance spending on rent, groceries, school fees, and entertainment. Spending more on one reduces what is left for others.• Government Spending: The Government of India must allocate its budget among defence, healthcare, education, infrastructure, and welfare schemes. Since funds are limited, it cannot spend fully on all sectors at once.
Q 2	<p>“Opportunity cost arises because resources are limited”. Discuss this statement with suitable illustrations.</p> <p>Ans:</p> <ul style="list-style-type: none">• Opportunity cost refers to the value of the next best alternative forgone when a choice is made.• Since resources such as time, money, and effort are limited, choosing one option means giving up another. The benefit of the best option not chosen is called the opportunity cost.• Opportunity cost is not always measured in money; it can also be measured in terms of time, satisfaction, or benefit. <p>Examples of Opportunity Cost:</p> <ul style="list-style-type: none">• Time Management: Spending an evening, playing cricket reduces time for homework. The homework time sacrificed is the opportunity cost.• Household Budgeting: A family buying a new television may postpone house renovation. The renovation is the opportunity cost of buying the television.
Q 3	<p>“Economists contribute to solve the real-world problems” Evaluate the statement.</p>

	<p>Ans:</p> <ul style="list-style-type: none"> • Economists study how economies function and suggest ways to improve them. • They collect data, analyze trends, and address issues like inflation, unemployment, poverty, and growth. • Their advice helps governments design policies on budgeting, taxation, welfare, and development. • Economists work in many sectors, including government departments, banks, research institutions, international organizations like the World Bank, and private companies. • For example, they may recommend skill-development programs to reduce unemployment or tax cuts to boost activity during a recession.
<p>Q 4</p>	<p>How do the processes of production, distribution, and consumption together explain economic activity? Illustrate with examples.</p> <p>Ans:</p> <p>Production Production means creating goods and services. Economists study what is produced, how much, and with what resources. Example: A car factory uses labour, machines, and raw materials to make vehicles.</p> <p>Distribution Distribution is how income and resources are shared among people and groups. Economists analyse inequality and suggest ways to reduce it. Example: In India, income distribution differs between rich and poor.</p> <p>Consumption Consumption is the use of goods and services to satisfy human wants. Economists study consumer behaviour and how demand changes with price. Example: When smartphone prices fall, more people buy them.</p>
<p>Q 5</p>	<p>“Economic analysis can be applied to address everyday challenges faced by society”.</p> <p>Justify</p> <p>Ans: Economic analysis help in solving real-life issues like the following:</p> <p>Inflation Economists study demand, supply, and production costs to suggest ways to control rising prices.</p> <p>Unemployment They analyse job markets and recommend policies to create more employment opportunities.</p> <p>Government Budgeting Economists guide governments in allocating funds for education, healthcare, defence, and infrastructure.</p> <p>Environmental Issues They study pollution and suggest measures like carbon taxes to protect the environment.</p> <p>Poverty Reduction Economists design welfare schemes and social safety nets to support weaker sections. Example: During the COVID-19 pandemic, economists advised governments and helped design relief packages for businesses and workers.</p>
<p>Q 6</p>	<p>“Analyze the central problems of an economy with examples.”</p> <p>Ans: The central problems of an economy are:</p> <p>What to Produce?</p> <ul style="list-style-type: none"> • Every economy must decide which goods and services to produce and in what quantity,

since resources are limited.

- A farmer chooses between growing wheat or sugarcane.
- During COVID-19, countries increased production of masks and sanitizers.

How to Produce?

- It refers to choosing the method of production — labour-intensive or capital-intensive — depending on resource availability and cost.
- India uses labour-intensive methods due to abundant labour.
- Countries like Japan and Germany rely on advanced machinery and technology.

For Whom to Produce?

- This problem deals with deciding who will get the goods and services produced, as not everyone can have everything.
- Expensive cars are purchased by the wealthy.
- Basic food grains are supplied through ration shops to low-income families.
- Private hospitals serve those who can afford them, while government hospitals serve the general public.

Q 7

Identify the three main types of economic systems and how each one differs from the others.

Ans:

Market (Free Market) Economy

Features:

- Private ownership of resources
- Freedom of choice for consumers and producers
- Profit motive drives production
- Limited government interference

Examples:

- In the United States, business decisions are guided by consumer demand and profit.
- If demand for electric vehicles rises, companies produce more to earn profits.
- If consumers stop buying a product, companies may stop producing it.

Centrally Planned Economy

Features:

- Government ownership of resources
- Central authority decides production and prices
- Focus on equality and welfare
- Limited private enterprise

Example:

- In North Korea, the government decides what goods are produced and how much. Priority is given to essential goods like food and housing rather than luxury items.

Mixed Economy

Features:

- Combination of private ownership and government regulation
- Strategic sectors (like defence and railways) may be owned or regulated by the government
- Market forces determine prices in many sectors
- Government ensures welfare through policies and schemes

Example:

- India follows a mixed economy.
- Private companies operate in IT and manufacturing, while the government plays a major role in defence and public transport.
- Welfare schemes like MGNREGA and the Public Distribution System (PDS) support social welfare.

Q 8

“Discuss the role of government in a Welfare Economy”

Ans:

Meaning of Welfare Economy

- A welfare economy focuses on improving the quality of life of people.
- It recognises that in a purely market-based system, some people may be left behind due to poverty, unemployment, illness, or lack of opportunities.
- The government intervenes to provide essential services and reduce inequality.

Examples:

- If education is only provided by private institutions, poor children may not be able to attend school.
- If healthcare is very expensive, many people may not receive proper treatment.
- India follows many principles of a welfare state, reflected in the Directive Principles of State Policy in the Constitution.

Role of Government in a Welfare Economy

Providing Public Goods and Services

- Roads, bridges, public parks, government schools, and hospitals are provided for public use.

Reducing Inequality

- Taxes are collected from higher-income groups and used to fund welfare programmes for disadvantaged groups.

Implementing Welfare Schemes

Schemes like VB-G RAM G-

Viksit Bharat - Guarantee for Rozgar and Aajeevika Mission (Gramin) Bill, 2025. (employment guarantee), PM-KISAN (support to farmers), and free vaccination programmes are examples.

Regulating Markets

- Prevents exploitation, sets minimum labour standards (like minimum wages), and checks food quality through FSSAI standards.

Examples of Welfare Schemes in India

- Beti Bachao Beti Padhao (girl child welfare)
- Swachh Bharat Abhiyan (cleanliness and sanitation)
- Ujjwala Yojana (free LPG connections)
- Pradhan Mantri Awas Yojana (housing for all)
- Skill India (employment and training)
- Digital India and Smart City Mission