Theme 1: The Central Economic Problem Cheat Sheet

by geminifourth04 (shreyasree) via cheatography.com/184627/cs/42456/

What is Economics

Economics is the study of how human beings making choices to best allocate limited resources among competing uses, to maximise and improve welfare

What is the Central Economic Problem

Scarcity : A situation where limited resources available is insufficient to fulfil the unlimited wants of society

Due to scarcity, economic agents have to make choices/decisions

What is opportunity cost

When making choices, we may have to give up the next best alternative

Opportunity cost **refers to the value of the next best alternative forgone when making a choice**

Note: when asked to calculate opportunity cost, consider only the next BEST alternative and not all the alternatives available