

Based on Curriculum of Pakistan 2023-24

TEXTBOOK OF

ECONOMICS 9



National Book Foundation
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Islamabad



NATIONAL BOOK FOUNDATION

Text book of Economics

Grade
9

Based on National Curriculum of Pakistan 2023-24



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A Textbook of Economic
for Grade 9

Author

Mrs. Ismat Khalil, MA Economics (Gold Medalist)
Former Lecturer
Islamabad Model college for Girls
F-10/2, Islamabad

Review Committee

Desk Officer

Management

National Book Foundation

First Edition - First Impression: | Pages: | Quantity:

Price: PKR/-

Code: STE-....., ISBN: 978-969-37-.....-.....

Printer:

Note: All the pictures, paintings and sketches used in this book are only
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Preface

This Book of Economics has been written for the Students of Class IX. This book covers all the Domains and Student Learning Outcomes of Class IX as laid down in curriculum 2022-23. Being aware and conscious of difficulties of the students, we have tried to explain and discuss the course contents in an easy and simple language. We are confident that it will help the students a lot.

Dr. Raja Mazhar Hameed

Managing Director

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1

NATURE AND SCOPE OF ECONOMICS

Student Learning Outcomes (SLOs)

After completing this lesson, the student will be able to:

- Define the concept of economics and explain its relevance and importance in today's world.
- Differentiate between microeconomics and macroeconomics.
- Differentiate between needs and wants and explain economic and non-economic wants.
- Explain the process of satisfying 'wants' through 'efforts' and the reward through 'satisfaction'.
- Differentiate between goods and services and explain the difference between public and private goods.
- Define the concepts of scarcity and opportunity cost and explain their relationship.
- Define Wealth and its types.
- Differentiate between price and value.
- Differentiate between classical, neoclassical and modern school of thoughts and explain the relation to wealth, welfare and scarcity.
- Define capitalism and explain its key characteristics, including private ownership, market-driven allocation, and profit motives and highlight its merits and demerits.
- Define Marxism and discuss its fundamental tenets, such as collective ownership, planned economy, and classless society and highlight its benefits and drawbacks.
- Define a mixed economic system and analyze how it combines elements of both capitalism and planned economies for resource allocation.

Students will develop a comprehensive understanding of core economic concepts, theories, and systems, enabling them to analyze and interpret economic phenomena in the contemporary world.

Benchmarks

- I. Students will demonstrate a comprehensive understanding of fundamental economic concepts, including scarcity, opportunity cost, wealth, price, and value.

- II. Students will apply economic principles to analyze individual decision-making and economic systems, distinguishing between microeconomics and macroeconomics.
- III. Students will critically evaluate the merits and demerits of different economic systems, including capitalism, Marxism.

What is Economics?

Like other subjects Economics is a subject which studies only economic aspect of a human life.

Economics:

This word is derived from “Greek word” “Oikonomos” which means ‘discipline’ or management of home. This subject advises and suggests such ways and means to utilize the available scarce resources for the maximum satisfaction of human basic wants like food, clothing, accommodation etc. It is a useful branch of knowledge.

It is a social science. It increases mental capacity. With its study we get information on matters related to daily life. People can understand the benefits and harms of government schemes. It helps to form their views if they have knowledge about this subject. It enables us to understand how economic system works and to realize our own position in that system.

Relevance & Importance of Economics in today's World:

Economics is a useful branch of knowledge. Its relevance and importance is as follows:

- (i) It increases human welfare. Its principle application has raised the standard of living of people.
- (ii) It increases our mental capacity and we can understand different problems.
- (iii) It gives us training to convince others about our arguments.
- (iv) It provides information on matters related to daily life.
- (v) Business men, if they have studied Economics, can understand the working of Economy.
- (vi) Labourers, if they have knowledge of it, they can get their rights and facilities.
- (vii) Economics also guides in money and banking.
- (viii) Study of Economics helps common man to get maximum utility within limited resources.
- (ix) Politicians are successful if they have knowledge about current economic theories.
- (x) Rulers can formulate better economic policies if they know the real nature of economic problems and this is possible only with the help of economics knowledge.
- (xi) Finance minister can make a good budget if he knows Economics.
- (xii) In economic planning, Economics plays an important role.
- (xiii) If consumers have economic knowledge, they can understand the benefits or harms of government schemes and can form their views.
- (xiv) Persons qualified in Economics has many chances of jobs in private as well as in government sector.

- (xv) In under developed countries like Pakistan, the knowledge of economics suggests measures how to utilize scarce resources and suitable policies can be made for raising living standard.

So, this subject has great importance.

Difference between Microeconomics and Macroeconomics:

Economics is divided into two branches:

- a. Microeconomics
- b. Macroeconomics

Microeconomics:

This branch studies the economic system by parts. This is concerned with the individual firms, their output and costs, the production and pricing of single commodity, wages of individuals, etc.

Macroeconomics:

This branch studies the economic system as a whole. This is concerned with the relationship between large aggregates such as the volume of employment, the total amount of savings and investments, the national income, etc.

Needs:

Needs refer to the basic requirements for human survival and well-being. These can include food, shelter, clothing, etc.

Wants:

Wants means desire or need to get something such as hungry person wants food. Wants arise because of necessities, habit, social customs and standards etc.

Kinds of Wants:

There are two types:

- (i) Economic Wants
- (ii) Non-Economic Wants

(i) Economic Wants:

These wants can be satisfied by spending money such as the wants of food, clothing, shelter, pen etc.

(ii) Non-Economic Wants:

For fulfilling these wants we do not need money such as air, water, rain and sunshine.

Classification of Economic Wants:

Economic wants are classified into 3 groups:

(i) Necessities:

These are called basic or primary wants such as food, clothes, shelter, education, medical aid. Necessities are essential for the existence of life.

(ii) Comforts:

Comforts are called secondary wants. Comforts are things which are wanted for a pleasant, easy and decent life. Such as tasteful food, well-built house and ample clothes. Things of comfort often increase efficiency of a man.

(iii) Luxuries:

Luxuries are those things which may not increase efficiency of a person. Personal satisfaction or Luxuries are desired for showing social status, such as car, bungalows and jewelry.

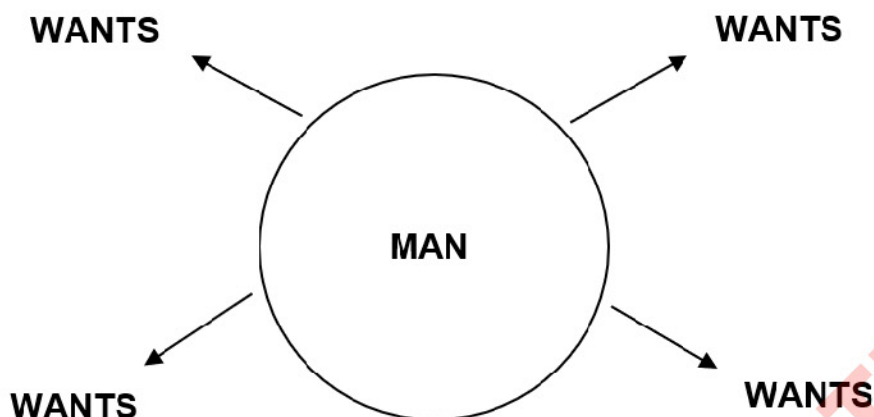
Characteristics of Wants:

Human Wants have the following characteristics:

- (i) Wants are unlimited; It means wants are innumerable it is not possible to satisfy all;
- (ii) Wants are endless: wants for more and more goods and for varieties of things are ever on increase. Wants appear again and again.
- (iii) Wants are competitive: wants compete with each other. Due to limited resources all wants cannot be satisfied at the same time so choice has to be made (more important first)
- (iv) Wants and alternative means: It means wants can be satisfied by using different means for example we can satisfy our thirst by using alternatives such as we can take Lassie, plain water, coca cola etc.
- (v) Wants are conventional: Man lives in a society so he has to abide by the customs of society such as college student copies the style of dress used by other college students.
- (vi) Some wants are complementary: It means wants are jointly demanded such as car and petrol, hockey and ball, racket and shuttle cocks, pen and ink go together.
- (vii) Present wants are more important than future wants: People give preference to present wants than future wants because future is uncertain;
- (viii) Each want is limited. Although wants are unlimited. Each particular want is limited. It means one's desire for a particular thing grows less and less as one secures more and more of it.

Conclusion: There is a circle of wants' in which man is caught up.

Figure 1- 1: Circle of Wants'



Satisfying 'Wants' through 'Efforts' and the Reward through 'Satisfaction':

The main aim of all Economic activity of man is to satisfy his wants. He feels wants of food, clothing, shelter and many other wants in life. These wants are so important that we can say man's welfare, progress even his very existence depends upon the satisfaction of these wants. For fulfilling these wants he engages in Economic activity. People work and earn their livings. Economics studies all these efforts of man which are concerned with the satisfaction of wants.

Man formulates plan and then executes plan through various actions. This process requires time and energy. Once the efforts are made and wants are fulfilled, the reward comes through satisfaction gained from achieving the desired outcome.

Goods and Services:

Goods and services are needed by society. Economic activity produces goods and services.

Goods:

In ordinary language all material things used by human beings are called goods (food, book etc.) but in Economics it means anything that can satisfy human wants, or which has utility or productivity. Goods may be material or non-material.

(i) Material:

A book or piece of land is material thing as it exists in a form or shape.

(ii) Non-material:

The services of teacher or doctor are non-material.

Kinds of Goods according to Nature:

(i) Free Goods.

(ii) Economic Goods.

(i) Free Goods:

Free gifts of nature are not produced by man and are called free goods. Free goods have no price for e.g. sunlight. These goods are available without economic activity.

(ii) Economic Goods:

These goods satisfy human wants. These are limited in supply and human efforts are made to preserve and produce them, so these goods have price and market for e.g. good of a firm. Economic goods are called wealth. we can call these goods commodities.

Kinds of Goods according to Use:

(i) Consumer Goods;

(ii) Producer Goods

(i) Consumer Goods:

These are Goods which are directly consumed such as cloth, food. These goods have utility and human beings get satisfaction. The standard of living of people depends on these goods.

(ii) Producer Goods or Capital Goods:

These goods are used to produce further goods or for earning income. These goods are:

(a) Raw material (metal, wood, etc.)

(b) Semi manufactured goods (cotton, yarn, wheat, flour, etc.)

(c) Manufactured goods (machinery, tools, etc.)

Services:

There are many wants which can be satisfied only by services and not by goods, services of teachers, actors, doctors etc.

Services means all the actions of individuals which can satisfy others wants. These services have value. These are bought and sold in market like goods.

Difference between Public and Private Goods:

Public Goods means those goods which benefit everyone such as street lights, parks, roads, railways, etc. Private Goods means those goods which benefit only that person who buys or uses that service / commodity such as a pair of shoes is private good.

Scarcity:

Scarcity lies at root of all Economic problems. Economic problems arise due to scarcity. It is said that Economics is a science of scarcity. Scarcity means that people do not have as much of goods as they want. It changes with time and place. If a good is free it is not scarce. The test for scarcity is price It does not mean that available quantity is small. It means imbalance between what the people have and what they want. What is produced in billions of tons but is scarce as its amount is less than demand. Rotten eggs are not scarce even if they are in less numbers as they are not desired.

Opportunity Cost:

People cannot satisfy all their wants since all things are in limited supply and therefore they must choose between one thing and another so that the satisfaction of one want involves doing without something else.

Relationship between Scarcity & Opportunity:

These two are interconnected. Scarcity refers to limited availability of resources relative to the unlimited wants and needs. Opportunity cost is a value of the next best alternative that must be forgone when a decision is made. When resources are scarce, choosing to allocate them to one use necessarily means giving up the potential benefits that could have been gained from the next best alternative.

Wealth:

Generally, it means money, gold. But in Economics it means all those things which are used by people and are not free. All Economic goods are called wealth. We can define it as those material and non- material things which can satisfy human wants and have limited supply.

Characteristics:

Following are the characteristics of wealth:

- (i) Wealth must possess utility (It must satisfy human wants).
- (ii) Wealth must also be limited in supply (land, mines, gold).
- (iii) Wealth should be transferable (It means that ownership of a thing must be transferable).

Types of Wealth:

Wealth may be classified into:

- (i) Individual Wealth;
- (ii) Public Wealth;
- (iii) National Wealth;
- (iv) International Wealth.

(i) Individual Wealth:

All useful possessions material or non-material that an individual owns (land money).

(ii) Public Wealth:

All goods owned by state or by public authority such as Sukkur barrage, public parks, roads and railways.

(iii) National Wealth:

It means the sum-total of all the wealth possessed by people individually and collectively. It includes national assets (rivers, forests) natural resources.

(iv) International Wealth:

This jointly belongs to all mankind and which can be used by all countries e.g. Oceans, Google etc.

Price:

When the value of commodity is expressed or measured in terms of money it is called price. Price is thus the amount of money that would be given in exchange for a unit of a thing. For example, when rice is sold at Rs. 100 per kg the sum is known as price of rice. Generally, the value of a thing is more or less fixed but the price frequently varies.

Value:

This word has two meanings:

- (i) Value in Use;
- (ii) Value in Exchange or Economic value

(i) Value in Use:

Value in use means how much that good is useful or it means capacity of a good to satisfy human wants. It means nothing more than utility.

(ii) Value in Exchange or Economic value:

Value in exchange of a thing implies the amount of other commodities which can be obtained in exchange of that thing. It means the purchasing capacity of a thing. In Economics value in exchange is used. It is known as real value in economics. The value depends on three factors or there are (3) determinants of value.

- (a) Utility (greater utility higher exchange value)
- (b) Scarcity (the more scarce the more exchange value)
- (c) Transferability: Motor cycle to a student can be transferred so it has high exchange value.

Classical, Neoclassical and Modern School of Thoughts:

Economics is a science which is concerned with the Economic activities of man in his efforts to satisfy his wants.

Economics has been defined by different economists in their own style and fashion. But there is no comprehensive definition of Economics.

We can classify them in (3) broad groups.

- (i) Classical view (Science of wealth)
- (ii) Neo-classical view (Science of material welfare)
- (iii) Modern view (Science of scarcity)

(i) Classical View:

Adam Smith is called the father of Economics. He wrote a book in “1776” whose title was “*The wealth of Nations*”. Adam Smith’s book is called “*Bible of capitalism*”. Adam Smith defined Economics as follows:

“Economics is a subject which studies the nature of wealth and laws which govern its production, distribution and exchange”.

David Ricardo and John Stuart Mill belong to the same group.

In this book he said “Economics is a science” which deals with four aspects of wealth:

- (a) Production of wealth;
- (b) Consumption of wealth;
- (c) Distribution of wealth;
- (d) Exchange of wealth.

(a) Production of wealth:

How goods and services are produced by four factors land, labour, capital and organization.

(b) Consumption of wealth:

Using up the utility of Goods and services for the satisfaction of wants is called consumption of wealth for e.g. Utility of car and radio.

(c) Exchange of wealth:

Every producer exchanges his surplus goods and services with the surplus of others. This process of exchange continues throughout the year.

(d) Distribution of wealth:

Goods and services are produced in one year. Those who produce get their share from national wealth. This is called distribution of wealth.

Criticism:

This definition was rejected because when this definition was given British society was religious society so religious minded criticized that it will make society as well as individual materialistic and will take them from spiritual values like friendship, brotherhood, love, sacrifice, patriotism. They said it will make society selfish and greedy.

Carlyle and Ruskin called the subject of economics as “Dismal Science”.

Conclusion:

This definition was considered as “misleading” and “unreal” definition. It was suggested that man must be preferred over wealth.

(ii) Neo-Classical View:

In 1890 Alfred Marshall wrote a book “Principles of Economics”. In this book he gave a new definition of Economics to clear the doubts from the minds of people about Economics. His definition is:

“Economics is a study of mankind in the ordinary business of life. It examines that part of individual and social action which is most closely connected with the attainment and with the use of material requisites of wellbeing”

Important points of Definition:

- It studies daily life of human beings rich or poor.
- Economics is a social science. It studies the actions of persons living in a society, who are trying to maximize their well-being.
- Economics is studied to analyse the causes of material prosperity.

This definition removed many objections. So, it is comprehensive and purposeful.

Economists such as Pigou, Canan accepted the idea of human welfare of Marshall.

Criticism:

Although this definition is better than Adam Smith but it was criticized by “Robins” on the following grounds:

- Welfare is not measurable concept.
- It covers only these requisites which promote welfare and excludes those which do not increase welfare such as drugs, cigarettes.
- In this definition scope of Economics is limited because it includes goods but services are excluded, where as in Economics both are studied.
- Question of good and bad arises.

The economists who agreed with Marshall’s view are called Welfare School of Thought such as Canan, Beveridge, Pigou etc.

Conclusion:

From all of the above criticism it cannot be denied that aim of all Economic analysis should be the promotion of human welfare. It makes Economics a useful science.

(iii) Modern View:

Lionel Robbins (British Economist) gave definition of Economics in his book “Nature and significance of Economic Science” written in 1932. He focused the phrase of Material requisites of wellbeing.

He termed Marshall’s definition as “unsatisfactory and unscientific”.

He defined Economics as “Economics is science which studies the human behaviour as relationship between multiple ends and scarce means which have alternative uses.”

Robbins's definition is superior to Marshall because it lays down the principles which are true of all times and places. Its laws are like the laws of life.

This definition has the following keywords:

- All wants are not equally important.
- Human wants are unlimited.
- Resources are scarce.
- Resources can be used in an alternative way.

Merits of Robbins's definition:

- It demolishes the structure of Economics based on material welfare.
- It widened the scope of Economics by studying all human wants and persons.
- Robbins raised the status of Economics by saying it a science.
- According to him Economics does not examine the right or wrong of an economic activity.

Demerits of Definition:

This definition has the following drawbacks:

- Robbins says Economics is pure positive science with the human behaviour which is not constant, it changes.
- Robbins deals with ends, means and their relative importance. He gave secondary importance to their alternative use.
- It is said that Economist cannot be neutral. He has to give his views for solution of Economic problems.
- Robbins says that resources are limited and cannot be increased but Economic growth and development has proved that limited resources can be increased so it ignores economic development.
- Robbins has made the study too wide. Almost everything is scarce in relation to want so what should be excluded from economics.

Conclusion:

Economics is a social science which deals with the economic thinking of human being. Human beings are not perfect and so is their thinking thus there cannot be any exact and perfect definition of economics.

Relation to Wealth, Welfare and Scarcity:

All these are interconnected in economics.

- (i) **Wealth:** includes money, property and goods;

- (ii) **Welfare:** it means well-being and quality of life of individuals or groups within a society such as food, shelter, healthcare, education.
- (iii) **Scarcity:** It is a fundamental economic problem arising from the imbalance between limited resources and unlimited human wants and needs. It means that the resources are insufficient to satisfy all human desires fully.

Wealth contributes to welfare and well-being of the people. Distribution of wealth if equal it has good effect on the welfare level and if there is disparity in wealth it leads to inequality which ultimately adversely affects the welfare of the people. Scarcity directly impacts welfare by influencing the availability and affordability of goods and services essential for well-being.

Capitalism:

The system of private ownership is called “Capitalism”. In this system private individuals and companies are allowed to acquire the means of Production and are given Liberty to use them or not to use them with a view to their own profit.

Characteristics of Capitalism:

- (i) Every individual is at liberty to use, consume, manage, exchange or inherit his property.
- (ii) Every individual can adopt any business he likes according to laws of state.
- (iii) Consumers are given due importance for the choice of liking and disliking.
- (iv) Free competition among producers and consumers in the market is allowed.
- (v) There is tendency of concentration of wealth in a few hands. Poor become poorer and rich become richer.
- (vi) under capitalism money motive governs the human relations. No regard is paid to sick and unemployed person.

Private Ownership:

The private sector is the part of the economy which is run by private individuals or groups.

Market-Driven Allocation:

It refers to the distribution of goods and services and resources based on principles of supply and demand within a market economy.

Profit Motives:

It refers to the desire for individuals or groups to engage in activities for the purpose of financial gain or earning a profit. In simple words, it's the drive to make money or generate income.

Merits of Capitalism:

- (i) Capitalism works automatically;
- (ii) Resources are utilized in the best way;
- (iii) Efficient producers get higher profits and workers receive higher returns;

- (iv) In this system people save and invest; this increases capital formation which ultimately leads to high rate of economic development;
- (v) This is democratic because there is no intervention by the Government.

Demerits of Capitalism:

- (i) Wealth is concentrated and in few hands;
- (ii) Huge resources are wasted on advertisement and publicity to eliminate the rivals;
- (iii) Human welfare is ignored;
- (iv) Weaker sections of society and consumers are exploited.

Marxism:

When the economy is controlled by State it is called "Socialism". Socialism's idea was developed by "Karl Marx" in the 19th Century and hence also called as Marxism. In this system all the means of production are owned by state and government prepares Plans for the benefit of the community and to bring progress and prosperity to country.

Characteristics of Marxism:

- (i) Socialism brings social justice and equitable distribution of income. In this system everyone can find a place in life according to his aptitude, education, struggle, mental and physical facilities.
- (ii) Basic necessities such as education, health, jobs are provided by State. There is social security.
- (iii) Socialism brings Economic Stability. No fluctuations in prices, income and employment occur.
- (iv) There is no exploitation of labourers. Social justice and equality prevails.
- (v) Consumer's sovereignty is lost. It means consumer are at the mercy of State.
- (vi) It curbs individual incentive to work, as necessities of life are assured by State.

Collective Ownership:

It refers to a system where resources, property or means of production are owned and managed by a group of individuals or a community as a whole rather than by private individuals.

Planned Economy:

It is economy where decision regarding production, investment and resource allocation are centrally planned by the Government or central authority.

Classless Society:

A classless society refers to an idealized state in which there are no social classes, and everyone in the society has equal economic and social status.

Benefits of Marxism:

- (i) Social justice prevails

- (ii) Resources are better allocated
- (iii) Rapid economic development is possible
- (iv) Everybody is assured of food, basic education, medical care and jobs;
- (v) Socialism brings economic stability.

Drawbacks of Marxism:

- (i) Economic freedom is lost;
- (ii) Consumer's sovereignty is also lost;
- (iii) Complete economic equality is not possible;
- (iv) In this system, State is powerful.

Mixed-Economic System:

This system is a mixture of two systems:

- a) Capitalism
- b) Socialism

In 19th century all countries had capitalism, but this system has many draw backs such as unemployment, inequalities of incomes and business cycles. In 20th century in order to solve the problems of capitalism some countries like Russia, China adopted socialism. Initially it was successful and welcomed by many countries, but this system has serious drawbacks.

In 21st century we find that there is neither capitalism nor complete socialism anywhere but a combination of two systems (mixed Economy)

It is a system which is combination of capitalistic Economic freedom and principles of socialistic control.”

OR

Mixed Economy is that Economic system in which private and public sectors co-exist in Economic field. Mixed Economic system adopted by different countries varies. In some countries private sector is stronger like Pakistan, Japan while in other countries public sector is dominant. In Pakistan, there is mixed economy. Public Sector is limited to only basic infrastructure like gas water, electricity and roads.

Our Economy consists of:

- a) Public.
- b) Semi-public or autonomous sector.
- c) Private sector.

Merits of Mixed-Economic System:

- (i) This system is natural because it follows a middle path, and it is also near to Islamic Economic system.
- (ii) It is democratic. People are free to organize them in association's unions and chambers of trade and industry.
- (iii) Equal opportunities are provided to people.
- (iv) This system is efficient because it ensures the optimum use of national resources.
- (v) Human freedom is allowed. Individuals can do work freely.
- (vi) Flexible economic activities are run by private and public sector according to circumstances.

Demerits of Mixed-Economic System:

- (i) Conflicts between public and private sectors may arise.
- (ii) Due to no clear outline between public and private sectors changes occur and Economy suffers.
- (iii) Individuals due to having Economic power may influence government policies in their favour.

Conclusion:

This system is preferable to capitalism and socialism. Although it is not ideal Economic system, but it is a practical reality all over the world.

Short Notes:

Economic Activity:

The process of earning one's livelihood by producing goods and services for the society is known as Economic Activity.

Social Sciences:

Social, economic, political, etc. activities of people living in a society are studied in Social Sciences. Thus, economics, political science, psychology are social sciences.

Topics in Microeconomics:

Major topics in Microeconomics are:

- (i) Theory of Consumer Behavior;
- (ii) Theory of Prices;
- (iii) Theory of Production;
- (iv) Theory of Firm;
- (v) Theory of Distribution of Income.

Topics in Macroeconomics:

Major topics in Macroeconomics are:

- (i) Theory of Income and Employment;
- (ii) Money and Banking;
- (iii) Public Finance;
- (iv) International Trade.

Special Importance of Economics for Developing Countries:

Most Countries of Asia and Africa including Pakistan are under-developed. There is a wide spread poverty, hunger and disease. People do not get even basic necessities of life. Study of Economics explains us basic causes of our poverty and under-development. It shows us the way how to make proper use of resources and raise our living standards like Europe and United States of America. It is the knowledge of economic principles and economic history which leads us to the conclusion that we are not poor.

Title of Books written by Adam Smith, Alfred Marshall & Robins:

These books are:

- (i) “An Inquiry into the Nature and Causes of Wealth of Nations”
- (ii) “Principles of Economics”
- (iii) “Nature and Significance of Economic Science”

- (ix) The book of Adam Smith was published in the year
a) 1870
b) 1890
c) 1776
d) 1876

(x) Who was the exponent of welfare economics?
a) Marshall
b) Adam Smith
c) Robins
d) Keynes

(xi) Robins wrote a book in 1932 entitled
a) General theory of employment interest and money
b) An inquiry into the nature and causes of wealth of Nations.
c) Principles of economics
d) Nature and significance of economics science.

(xii) Who was the exponent of Neo-classical school of thought?
a) Adam Smith
b) Marshall
c) Samuelson
d) J. M. Keynes

(xiii) Economic wants are unlimited who said it
a) Robins
b) Keynes
c) Adam Smith
d) J R Hicks

(xiv) Adam Smith belongs to school of thought
a) Classical
b) Neo-classical
c) Modern
d) None of these

(xv) Classical school of thought considers economics as knowledge of
a) Time
b) Welfare
c) Wealth
d) Scarcity

(xvi) The principles of economics were written in the year
a) 1890
b) 1880
c) 1990
d) 1860

(xvii) One of the following statements is not related to Robins definition of economics
a) Unlimited wants
b) Difference in importance of wants
c) Scarce means
d) Utilization of resources for welfare.

(xviii) Economics is a science

a) Spiritual

b) Social

c) Physical

d) Political.

☐

(xix) Resources are

a) Unlimited

b) Limited

c) Free

d) None of these.

☐

(xx) Economic wants are unlimited who said it

a) Robbins

b) J.S. Mill

c) J.M Keynes

d) J.R Hicks

☐

(xxi) Who introduced the subject of Economics?

a) David Ricardo

b) J.S Mill

c) Lionel Robbins

d) Adam Smith

☐

Section (B) 36 Marks

Q2: Attempt any twelve parts. The answer to each part should not exceed 3 to 4 lines (12x3) = 36 Marks

(i) Write four lines on Economics.

(ii) Define Capitalism.

(iii) What do you know about Socialism?

(iv) Write three benefits of Socialism.

(v) Write three merits of Capitalism.

(vi) Differentiate between Economic and Non-Economic Wants.

(vii) Differentiate between Price and Value.

(viii) Write the definition of Alfred Marshall.

(ix) What does material welfare means?

(x) Write the meanings of scarcity.

(xi) Write down the definition of Robins about Economics.

(xii) What is said by Adam Smith about economics?

(xiii) Write four merits of Marshall's definition of economics.

(xiv) What are the demerits of Robins definition?

- (xv) Write the title of the book written by:
- a) Adam smith
 - b) Alfred Marshall
 - c) Robbins
- (xvi) Write few lines on economic activity.
- (xvii) What do you know about the importance of the study of economics? Write only four points.
- (xviii) Describe the main points of Robbins's definition of economics.
- (xix) Write note on production of wealth.
- (xx) Write few lines on consumption of wealth.
- (xxi) What do you know about distribution of wealth?
- (xxii) Write four lines on exchange of wealth.

(Section-C = 24 Marks)

Q3. Note: Attempt any three questions. All questions carry equal marks (3x8=24)

- (i) "Economics is a study of wealth". Which economist said this? Explain the statement also.
- (ii) Define economics in the words of professor Robbin's.
- (iii) What are the views of Marshall about economics?
- (iv) What are advantages (utility) of study of economics?
- (v) Define Wealth and its types.
- (vi) What is Mixed Economic System? Explain it.



2

THEORY OF CONSUMER BEHAVIOR

Student Learning Outcomes (SLOs)

After completing this lesson, the student will be able to:

- Define the concept of consumer and his objective of driving satisfaction.
- Describe the process of consumer decision-making, including the evaluation of choices and trade-offs.
- Analyze the factors that influence consumer behavior, such as preferences, budget constraints, and external influences.
- Explain utility and marginal utility.
- Analyze the law of diminishing marginal utility and illustrate the same through schedule and graph.

Students will demonstrate a comprehensive understanding of consumer behavior, applying economic principles to analyze decision-making processes, critically evaluating external influences on consumer choices, grasping the concepts of utility and marginal utility, and understanding the implications of diminishing marginal utility for consumption decisions.

Benchmarks

- I. By the end of the term, students will be able to define the concept of a consumer and explain their primary objective of maximizing satisfaction through consumption.
- II. Students will describe the consumer decision-making process, outlining the steps involved in evaluating choices, making trade-offs, and ultimately arriving at a purchase decision.
- III. Students will analyze the factors that influence consumer behavior, recognizing the impact of individual preferences, budget constraints, social and cultural influences, and marketing strategies on consumer choices.
- IV. Students will analyze the law of diminishing marginal utility, recognizing that as consumption increases, the marginal utility of each additional unit decreases, leading to a point of satiation where further consumption provides no additional satisfaction.

Consumer:

A consumer is a person who consumes goods and services to satisfy his wants. Each consumer has to face the problems of unlimited wants and limited resources. In such state of affairs, it is a desire of each consumer to maximize the satisfaction in the presence of limited income. Whenever consumer maximizes his level of satisfaction, he is satisfied with his spending pattern.

Consumer plays an important role in an economy. When he demands more, then producers produce more. In this way economy expands.

Consumer Decision Making:

Regarding purchase of Goods, consumer not only considers income but the price of goods also. In this way, he selects those goods which gives him greater utility or satisfaction. Consumer decision making involves choices and tradeoffs so that he may be able to select the best option based on his preferences, needs. Regarding this decision making he keeps in mind:

- (i) Identification of needs or wants;
- (ii) Gathering information about available options through various sources such as online research;
- (iii) Evaluation of how one option is best to satisfy his needs;
- (iv) Consideration trade-off;
- (v) After evaluation decision to purchase;
- (vi) After purchase, assessment about the product whether that product will meet his expectations or not.

Factors regarding Consumer's Decision Making are:

- (i) Taste Preferences;
- (ii) Product in relation to its price;
- (iii) Brand;
- (iv) Recommendations;
- (v) Advertisement.

Factors influencing Consumer Behaviour:

The behaviour of the consumer regarding to selection, purchase and consumption of goods and services for satisfaction of his wants is known as Consumer Behaviour.

Consumer behavior is influenced by various factors such as:

- (i) Preferences;
- (ii) Budget Constraints;
- (iii) External Factors.

(i) Preferences:

Preference are shaped by person's taste and lifestyle. Preferences show what product he is inclined to buy.

(ii) Budget Constraints:

Finance plays an important role in Consumer Behaviour. He sees his available budget because it effects his purchasing power and choices. Budget constraints lead to trade offs between quality, quantity and price.

(iii) External Factors:

External factors such as marketing and advertisement heavily impact on consumer behavior.

Utility:

The quality of a commodity which makes it desirable. A thing may be harmful to health or morality but so long it can satisfy a want it possesses utility for example, water satisfies thirst, food satisfies hunger.

Utility changes according to circumstances. It is not constant. It changes from place to place from time to time and from person to person.

Characteristics of Utility:

- (i) It differs from person to person.
- (ii) It depends on human want.
- (iii) It depends on knowledge.
- (iv) It depends on use.
- (v) It depends on number.
- (vi) It depends on form.
- (vii) It depends on place.
- (viii) It depends on time and season.
- (ix) It depends on ownership.

Marginal Utility:

The extra amount of satisfaction to be obtained from having an additional small increment of a commodity. It is a marginal utility which determines an individual's demand for a thing and not its total utility.

Law of Diminishing Marginal Utility:

It is a matter of common observation that when different units of any commodity will be used continuously later units will give less satisfaction. This experience of every consumer can be explained by the help of Law of Diminishing Marginal Utility.

According to this Law, when a person starts consuming a commodity his want is very urgent and the consumption gives him very great satisfaction. But as consumption proceeds the satisfaction goes to diminish. Let us suppose a person starts eating mangoes one after the other. The first mango gives him great pleasure but when he takes the second mango it will give him less satisfaction, the satisfaction of the third one will be still less than the second one and so on. Then a stage will come when satisfaction of an additional mango will be zero. If he is forced

to take more mangoes, the satisfaction will come negative. This behavior of any consumer is called “Law of Diminishing Marginal Utility”.

Professor Marshall defined it as follows:

“The additional benefit which a person derives from an increase of his stock of a thing it diminishes with every increase in the stock that he already has.”

Definition:

“Other things remaining the same, when a person takes successive units of a commodity, the marginal utility diminishes constantly.”

This law is explained below with the help of following schedule and graph:

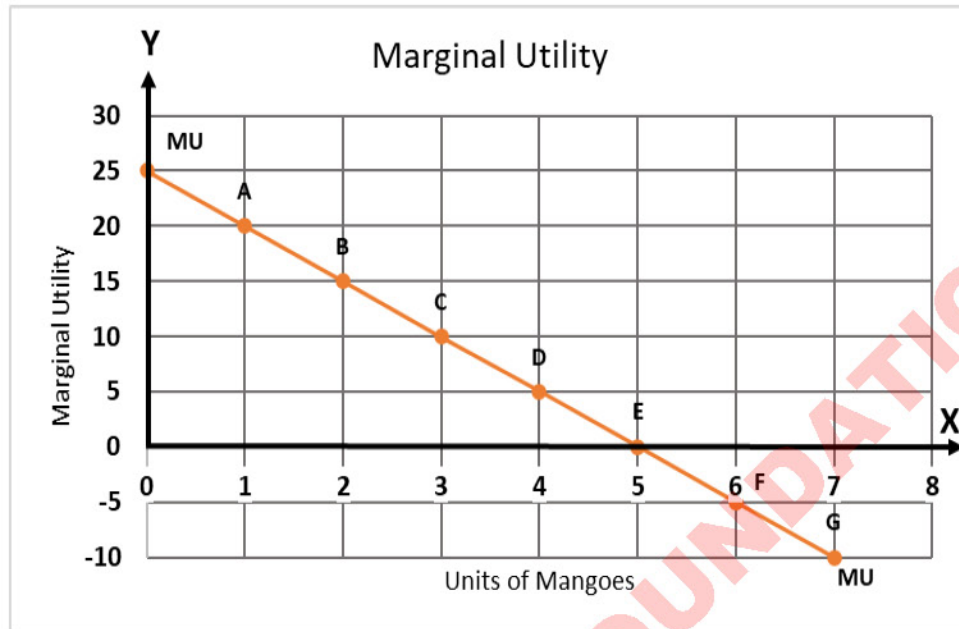
Schedule of Marginal Utility:

Table 2- 1: Schedule of Marginal Utility

Units of Mangoes	Total Utility	Marginal Utility
1	20	20
2	35	15
3	45	10
4	50	5
5	50	0
6	45	-5
7	35	-10

Graph of Marginal Utility:

Figure 2- 1: Graph of Marginal Utility



Explanation of Graph of Marginal Utility:

On X-Axis, units of commodity (mangoes) consumed and on Y-Axis, units of utility are measured. The utility of the first mango is represented by A in the graph. Utility of each successive unit consumed is represented by B, C, D, E, F & G. The 5th Mango yields no Utility and 6th & 7th Mango have negative utility.

This law is based on certain assumptions. These assumptions are:

- (i) It is assumed that commodity is taken in suitable units;
- (ii) Nature of product should remain the same;
- (iii) Product should be used consecutively;
- (iv) Income of the consumer should not change;
- (v) Tastes, fashions, customs and habits remains unchanged.

Short Notes:

Definitions of Economists about the “Law of Diminishing Marginal Utility”:

Chapman is of the view that “the more we have a thing, the less we want additional increments of it or the more we want not to have additional increments of it.”

Marshall says “the additional benefit which a person derives from an increase of his stock of a thing diminishes with every increase in the stock that he already has.”

Assumptions of the “Law of Diminishing Marginal Utility”:

- (i) Suitable Units;
- (ii) Continuous use;
- (iii) Character of the Consumer does not change;
- (iv) Taste, Fashion, Customs and Habits remain unchanged;
- (v) No change in income.

Exceptions or Limitations of the “Law of Diminishing Marginal Utility” (where this Law does not work):

- (i) Desire of Money - More money a person has, the more he wants;
- (ii) Personal Hobby - This law does not apply to personal hobby;
- (iii) Fashion - This law does not work to Fashion because if fashion exists the utility increases and vice versa;

Relationship between Marginal Utility & Total Utility:

- (i) As long as the Marginal Utility is positive, Total Utility increases;
- (ii) When Marginal Utility becomes zero, Total Utility reaches its highest point;
- (iii) When Marginal Utility is negative, Total Utility falls.

Subject: Economics for Grade IX

Max Marks= 15

Q1: Insert the correct option in the empty box opposite to each part.

- 31

- (xiii) Define Marginal Utility.
- (xiv) What are Consumer Goods?

(Section-C = 24 Marks)

Q3. Note: Attempt any three questions. All questions carry equal marks (3x8=24)

- (i) Define Consumer and how he behaves in purchasing of a commodity?
- (ii) Explain the “Law of Diminishing Marginal Utility” with the help of Schedule and Graph.
- (iii) Write notes on a) Choices b) Trade Off.
- (iv) Define Utility. Also explain the Characteristic of utility.

Change in Quantity Supplied:

A change in quantity supplied reflects movement along the supply curve due to change in price while the other factors remain constant. It means that seller/producer respond to change in price they sell more at higher price and sell less at lower price. In this case, the main factor which affects supply is the only price.

Change in Supply:

Change in supply indicates a shift of entire supply curve due to factors other than price. Factors such as change in technology, input price, government policy, expectations and number of suppliers can influence the overall supply for a product or service.

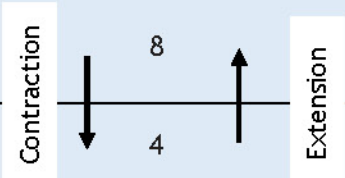
Change in Quantity Supplied:

Change in quantity supplied (changes in supply due to change in price or movement along the supply curve). In other words, it means extension and contraction. Contraction means when price of a commodity decreases, producers sell less quantity of it. On the other hand when price increases, producers sell more quantity, it is known as Extension of Supply. In this case, the supply schedule and supply curve do not change; the producers moves up and down on the same curve.

Table and Graph showing Change in Quantity Supplied:

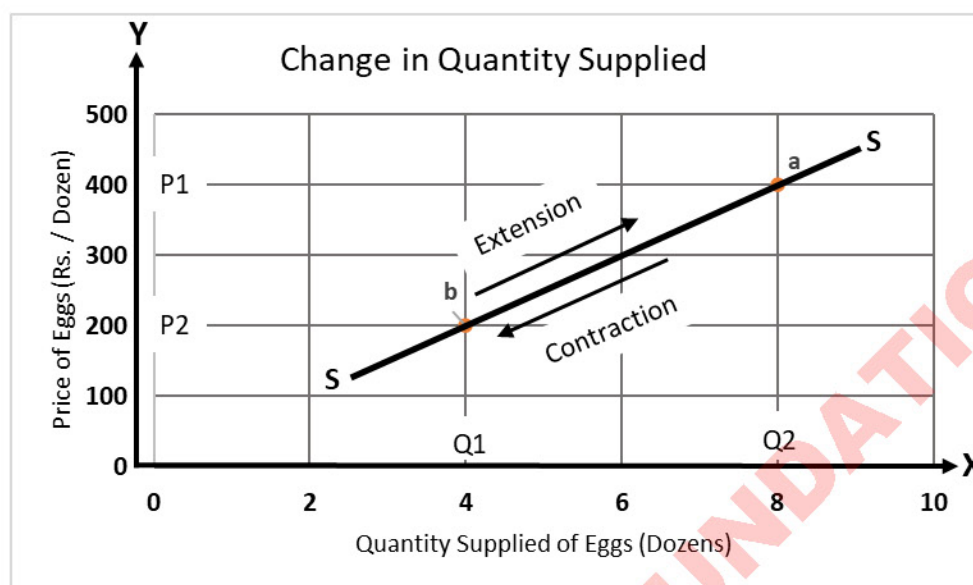
Table 4- 10: Schedule of Change in Quantity Supplied

Price of Eggs (Rs. Per Dozen)	Quantity Supplied (Dozen)
400	8
200	4



In the above table, when the price of eggs is Rs. 400 per Dozen, the quantity supplied is 8 Dozen. But when the price goes down to Rs. 200 per Dozen, then the supply for eggs contracts from 8 Dozen to 4 Dozen.

Figure 4- 10: Graph showing Change in Quantity Supplied



Explanation of the Change in Quantity Supplied Graph:

This graph shows that when the Price is at P1, the Quantity supplied is Q2. It gives us point “a”. When price falls to P2, the Quantity supplied contracts to Q1. This gives us point “b”. This shows the contraction and extension in supply.

Change in Supply through Table and Graph:

When supply for a commodity changes not due to price but due to other factors such as technology, input price, government policy, expectations and number of suppliers, it is called rise and fall in supply. In such a case, the whole supply schedule changes and supply curve shifts.

Rise in Supply:

Rise in supply means the shifting of supply, which shows a change in the supply behaviour of the Producers.

This can be shown by two methods:

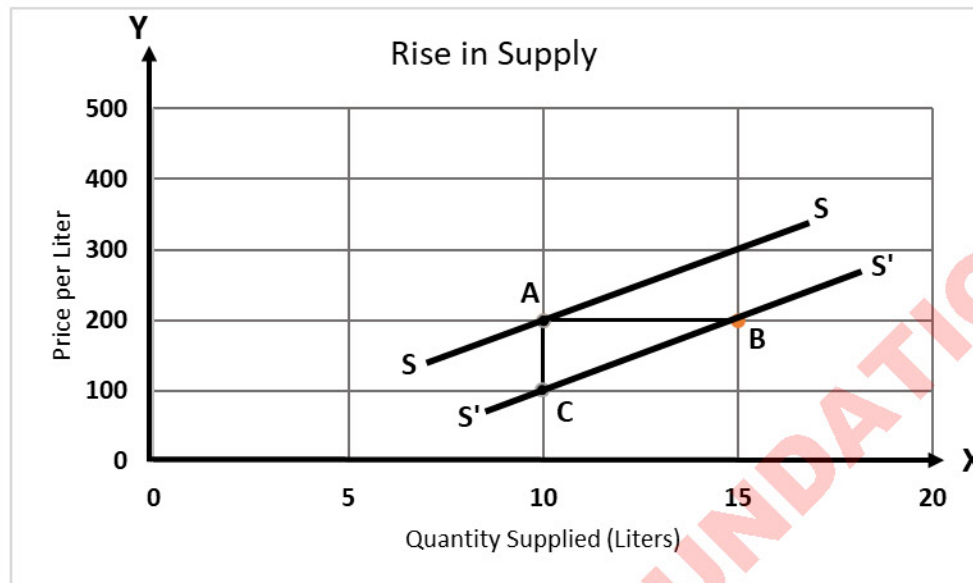
- Quantity supplied increases at the same price;
- Quantity supplied remains same at a lower price.

Illustration of Rise in Supply through Table and Graph:

Table 4- 11: Schedule of Rise in Supply

Price per Liter	Quantity (Liters)	OR	Price per Liter	Quantity (Liters)
200	10		200	10
200	15		100	10

Figure 4- 11: Graph of Rise in Supply



Explanation of the Rise in Supply Graph:

According to the above table and graph, we find that quantity supplied of a product increases from 10 to 15 liters at price Rs. 200 per Liter. As an alternative, quantity supplied remains the same at 10 liters even though price increases from Rs. 200 to Rs. 100 per liter. In both these cases, there is a shift of old supply curve (S-S) to new supply curve (S'-S'). This shifting of producer behaviour is the "Rise in Supply".

Fall in Supply:

It is exactly opposite to the "Rise in Supply". It can also be shown by two ways:

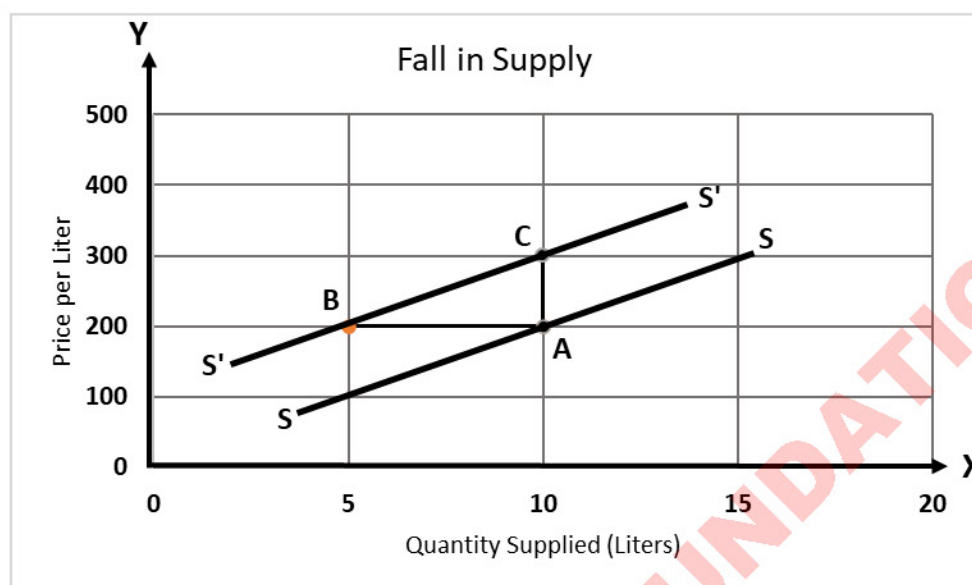
- When quantity supplied decreases at the same price;
- When quantity supplied remains the same at a higher price.

Illustration of Fall in Supply through Table and Graph:

Table 4- 12: Schedule of Fall in Supply

Price per Liter	Quantity (Liters)	OR	Price per Liter	Quantity (Liters)
200	10		200	10
200	5		300	10

Figure 4- 12: Fall in Supply Curve



Explanation of the Fall in Supply Graph:

According to the above table and graph, we find that quantity supplied of a product decreases from 10 to 5 liters at same price of Rs. 200 per liter. As an alternative, quantity supplied remains the same at 10 liters even though price increases from Rs. 200 to Rs. 300 per liter. In both these cases, there is a shift of old supply curve (S-S) to new supply curve (S'-S'). This shifting of producer behaviour is the "Fall in Supply".

Causes of Rise and Fall in Supply:

- Change in method of production;
- Change in cost of production, etc.

Market:

In ordinary language, a Market is a place where buyers and sellers come close together to exchange goods and services but in Economics it is defined as:

"A set of arrangement whereby consumers and producers interact with each other to sell and purchase commodities."

Market has special importance in Economics. It is through market that prices of various commodities are determined. Every market consists of:

- A good or service which is to be exchanged;
- Presence of buyers and sellers;
- A place which may be a town, region, country or even the whole world;
- Contact between buyers and sellers (personal or through phone, email and internet)

Types of Market:

- (i) Markets according to Time;
- (ii) Markets according to Location;
- (iii) Markets according to Nature of Commodity.

Perfectly Competitive and Non-Competitive Markets:

There are two types of market according to competition:

- (i) Perfect Market;
- (ii) Imperfect Market

(i) *Perfect Market:*

A place where following five characteristics are found:

- The commodity must be homogeneous.
- Large number of buyers and sellers.
- Perfect mobility of factors of production.
- Free entry and exit of firms.
- Perfect knowledge.
- Only one price prevails in the market due to competition between buyers and sellers.

(ii) *Imperfect Market:*

Even if one condition of perfect market is missing in the market, the market is called imperfect market. It is opposite to perfect market. Special case of imperfect competition is called monopoly, where there is only one firm producing a single commodity and there is no close substitute of commodity.

Concept of Market Equilibrium:

Every one of us whether as buyer or seller is affected by changes in prices. How price is determined is most important topic in Economics. Markets determine the prices of goods and service and these prices guide decisions about what and how much to buy or sell. Prices play role in:

- Providing information;
- Prices provide incentives;
- Prices bring equality between demand and supply of goods.

Determination of Price through Market Forces:

The movement of price upward and downward continues till such a price is reached at which demand becomes just equal to supply. This is **Equilibrium Price**.

Equilibrium of Market:

It refers a situation where forces of demand and supply balance each other. To explain the balanced price both laws of demand and supply are taken into account. Schedules and curves show the “**equilibrium point or balanced price**”.

According to the Law of Demand, the quantity demanded extends when the price falls while it contracts when the price increases.

According to the Law of Supply, every rise in price causes the extension in supply while the supply contracts when the price falls. Thus supply is increasing function of price. Both the laws operate simultaneously and variation in the quantity demanded and supplied disappear due to price mechanism and market equilibrium results. This is explained in the following schedule:

Table 4- 13: Example Schedule of Equilibrium of Market

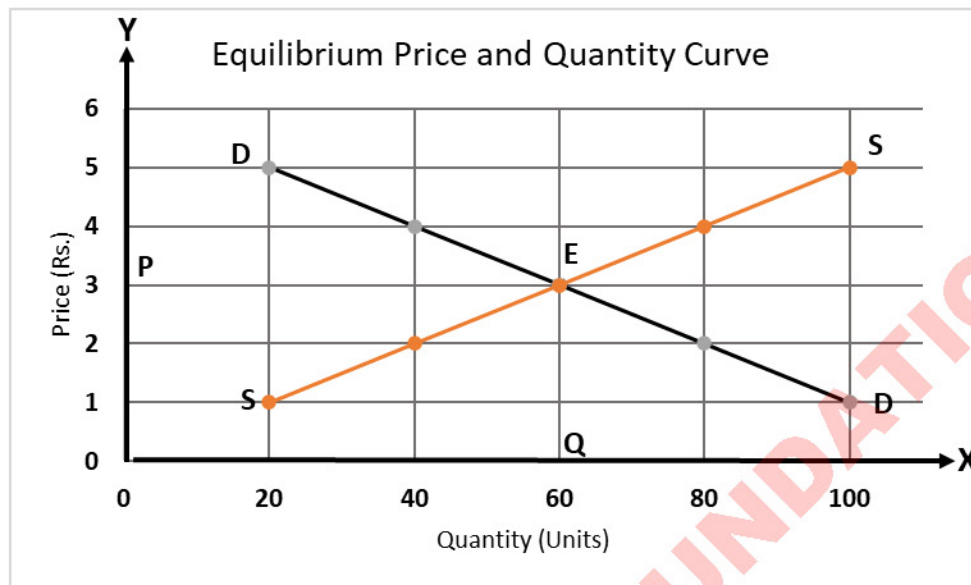
Price (Rs.) (P)	Quantity Demanded (QD) Units	Quantity Supplied (QS) Units
1	100	20
2	80	40
3	60	60
4	40	80
5	20	100

Explanation of Schedule:

When P is Rs. 1, QD is 100 while the QS is only 20 Units that creates the gap between demand and supply. Since demand is greater than supply, it will result in the competition among the consumers which will ultimately push up the price. When the Price rises to Rs. 2, the Demand contracts 80 units while the supply extends to 40 units. There is still a gap of 40 units between demand and supply and that gap will further raise the price to Rs. 3. At this price, demand contracts to 60 units according to Law of Demand but supply extends to 60 units according to the Law of Supply. At this price, there is equilibrium between the Quantity Demanded and Quantity Supplied. Rs. 3 is the equilibrium price while 60 units are the equilibrium quantity. Any further rise in the price beyond the equilibrium price will cause further contraction in Demand and extension in supply. Since supply is in excess of demand it will ultimately result the competition among the sellers which will cause the decline in price and consequently equilibrium will be restored again. This can be further explained with the help of the following graph:

Equilibrium Price and Quantity through Graph:

Figure 4- 13: Graph of Equilibrium Price and Quantity



Explanation of Equilibrium Price and Quantity Curve:

Price is measured along OY while Quantity Demand and Quantity Supply is measured along OX. Plotting of the second and third columns of the schedule gives us the Demand and Supply curves. They intersect each other at “E”. Thus “E” is the “Equilibrium Point”. OP is the “Equilibrium Price” and OQ is the “Equilibrium Quantity Demanded and Supplied”.

Difference between Market Price & Equilibrium Price:

These two have different meanings in Economics.

Market Price:

Price determined in a very short period or market period is called Market Price. This price is mostly related with the prices of perishable goods.

We can define it “this is the actual price at which goods and services are bought and sold in the market”. It is determined by the interaction of supply and demand along with the other factors such as Government intervention, production costs and consumer preferences.

Equilibrium Price:

This is the price at which quantity demanded and quantity supplied in the market is equal. In other words, it is the price where the demand curve intersects with the supply curve. At equilibrium, there is no shortage or surplus of goods or services. Under given circumstances, there will be a price at which the sellers are willing to sell as much quantity as the buyers are willing to buy at that price. At equilibrium level, the price determined is called Equilibrium Price.

Impact of Change in Price on Market Equilibrium:

Initially, equilibrium occurs at the intersection of demand and supply curves. When the price increases, the new equilibrium point shifts along the demand curve to a lower quantity.

Shortage:

At the new Equilibrium price, the quantity demanded is less than quantity supplied, hence there is a shortage.

Surplus:

When the price decreases, the new equilibrium quantity would increase hence there is surplus.

In short, changes in price can influence market equilibrium resulting in either shortage or surplus.

Shortage: Demand > Supply (Demand is greater than supply)

Surplus: Demand < Supply (Demand is less than supply)

Balance: Demand = Supply (Demand is equal to supply)

The Price Determination Schedule and Curve showing Shortage, Surplus and Balance:

Table 4- 14: Price Determination Schedule

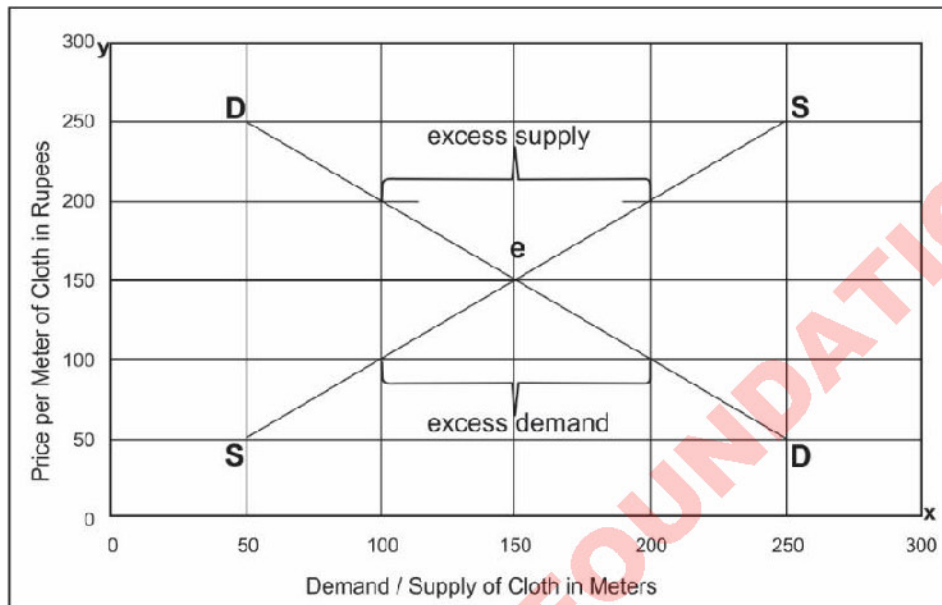
Price in Rupees per meter	Demand for cloth in meters	Supply of cloth in meters
250	50	250
200	100	200
150	150	150
100	200	100
50	250	50

Explanation of the Price Determination Schedule:

The table shows that when price is Rs. 250 per meter, 50 meters of cloth is purchased. When price is high, producers supply more quantity of cloth. Price of Rs. 250 cannot stay in the market. This price continues downward. When it is Rs. 150 per meter, quantity demanded equals quantity supplied. Here the price is determined and this is called “**equilibrium price**”. Else this point there is no equilibrium because price either rises or falls and forces of demand and supply get disturbed and equilibrium point gets loss.

The state of balance between demand and supply or equilibrium price can be explained with the help of following diagram

Figure 4- 14: Price Determination Curve



Explanation of the Curve

Important Points:

- There are two axes i.e. “oy” and “ox.”
- Price is shown on “oy”
- Quantity demand and quantity supply is shown on “ox”
- DD line shows the demand curve.
- SS line shows the supply curve.
- Lines DD and SS intersect each other at point (e) which is called “equilibrium” point or “ balanced price “ and this is 150 meter.
- At any other price demand and supply are not equal.
- So else 150 there is no other equilibrium price.

Main Points:

- Prices are determined between the forces of demand and supply;
- The word equilibrium gives the meanings of state of balance between forces of demand and supply.
- When prices increase, the supply also increases but demand decreases.
- When prices decrease the supply also decreases but the demand increases.
- Any change in price disturbs the equilibrium point.

- The disturbed or unbalanced price do not lasts longer. Only balanced price lasts longer.

SHORT NOTES:

Joint Demand:

When two or more than two products are jointly demanded for the satisfaction of a want, the demand for them would be joint demand, e.g. demand for car and petrol.

Composite Demand:

When product is used in many ways in different enterprises the demand for it would be the composite demand. For example, Iron is used in steel mills, bridges buses etc. hence the demand for iron would be the composite demand.

Relationship between Price and Demand:

Negative or an **inverse relationship** is found between price of a good and quantity demanded of that good To describe the inverse relationship between price and quantity demanded. We always take the change in price and then the resultant change in quantity.

Extension and contraction of Supply:

When the price of a product goes up its quantity supplied also goes up, this is called extension in supply and when quantity supplied decreases due to fall in price, it is called contraction in supply.

Factors/Causes of Rise and fall of Supply:

- (i) Change in cost of production
- (ii) Change in agricultural out put
- (iii) Change in tax rates
- (iv) Development in science and technology
- (v) Development in means of transportation and communication.
- (vi) Law and order situation

Rise in Supply: when supply increase due to factors other than price, it is called rise in supply.

Fall in Supply: When supply decreases due to the factors other than price, it is called fall in supply.

Perishable Goods:

The goods which cannot be stored for a long period of time are called Perishable Goods such as Fruit, Vegetables.

Durable Goods:

The goods which can be stored for sometime are durable goods such as wheat, rice, etc.

Other types of Markets:

- (i) Local Market
- (ii) Regional Market
- (iii) National Market
- (iv) International Market
- (v) General Market
- (vi) Specialized Market
- (vii) Capital Market
- (viii) Factor Market
- (ix) Money Market

(i) Local Market:

It is a limited market consisting of a small area where those goods are produced and sold which are quite difficult to transport to far areas for e.g. bricks, ice, etc. are not supplied in far areas.

(ii) Regional Market:

Some goods are produced, purchased and sold in specific areas. The market of such goods is called the regional market. For e.g. Kasuri falooda, Sindhi Shawl, etc.

(iii) National Market:

It is the market of those goods which are traded all over the country. These kinds of goods can be transported easily e.g. clothes, shoes, etc.

(iv) International Market:

If the goods are traded between countries it is called International market. e.g. Pakistan imports cars, computers, machinery and exports rice, sports goods, etc.

(v) General Market:

The market where all kinds of goods are purchased and sold is called General market for e.g. Anarkali, Ichra, etc.

(vi) Specialized Market:

Where same or specialized goods are sold. The fruit market is an example of specialized market.

(vii) Capital Market:

Where shares of companies are traded. This is known as stock exchange.

(viii) Factor Market:

Where the services of factors are sold and purchased.

(ix) Money Market:

The market where borrowers and lenders make agreements about loan is called money market.

Markets according to Time Period:

There are three types.

- (i) Day to day Market.
- (ii) Short period Market.
- (iii) Long period Market.

(i) Day to day Market:

It is very short period market where price is settled on the basis of available supply. Usually it is the market of perishable goods like fruits, milk, fish, etc. Any change in demand brings a change in price but supply remain unchanged.

(ii) Short period Market:

Short period is a period where if demand increases supply can be increased only with existing resources. In such markets price is determined by demand and supply forces.

(iii) Long period Market:

It covers a long period of time. Long period is a period during which firm can adjust its supply according to change in demand. Firm can change its previous plan or management and new technology can be introduced. In this period price is determined by permanent equilibrium of demand and supply forces.

E-Market:

It means marketing through internet or through email. It is also called online marketing. Now a days it is growing fast.

QUESTION PAPER

Subject: Economics for Grade IX

Time Allowed=20 min

Max Marks= 15

Section (A)

Q1: Insert the correct option in the empty box opposite to each part.

- (i) The demand of commodity expresses
- a) Purchasing power b) Will to purchase
- c) Existing commodities for sale
- d) Purchasing power of commodity and will to purchase.
- (ii) The demand of commodity changes when
- a) Fashion changes b) Income changes
- c) Prices of substitutes change d) All of the above
- (iii) The demand curve slopes
- a) Positively b) Negatively
- c) Constantly d) Continuously
- (iv) If price of commodity decreases then
- a) Consumers will purchase more
- b) Demand curve will shift right-wards
- c) Demand curve will shift left-wards
- d) Demand curve will be vertical
- (v) If the government imposes heavy tax on cars the demand of petrol will
- a) Be increased b) Be decreased
- c) Not be affected d) All statements are wrong
- (vi) The necessary elements of demand of a commodity are
- a) Will and purchasing power b) Will and desire
- c) Will and price d) Desire and price.
- (vii) When prices rise the quantity supplied
- a) Remains Unchanged b) Contracts
- c) Increases d) Decreases
- (viii) Fish, Fruit, Milk expresses
- a) Day to day market b) Short period market
- c) Long period market d) Regional market

- (ix) Which one will be termed as supply of a product? ☐
- a) One ton potato in cold storage
 - b) One ton rice offered for sale in a market
 - c) One ton rice brought for sale in a market at certain price
 - d) None of the three
- (x) A producer has one thousand tons of rice to be offered for sale at a certain price in future it will be called. ☐
- a) Supply of output
 - b) Production
 - c) Buffer stock
 - d) Stock
- (xi) The supply of goods belongs to ☐
- a) Consumers
 - b) Government
 - c) Sellers
 - d) Trade union
- (xii) Following are the reasons of variation in supply except one ☐
- a) Change in price of good
 - b) Change in income of consumers
 - c) Change in technology of production
 - d) Development of communication
- (xiii) It describes the law of supply ☐
- a) Supply curve
 - b) Supply schedule
 - c) Supply equation
 - d) None of these
- (xiv) Extension of supply will take place as a consequence of ☐
- a) Change in price
 - b) Change in population
 - c) Change in technology
 - d) Change in money supply
- (xv) When demand and supply curves intersect each other this is called ☐
- a) Equilibrium
 - b) Equilibrium point
 - c) Market equilibrium
 - d) None of none
- (xvi) For market equilibrium it is essential ☐
- a) Demand is equal to price
 - b) Supply is equal to price
 - c) There is same increase in demand and supply
 - d) At specific price quantity demand is equal to quantity supplied

- (xvii) Decrease in demand causes the equilibrium price to
- Rise
 - Fall
 - Remain constant
 - Indeterminate
- (xviii) When price is fixed below the equilibrium level there will be
- Surplus commodity in the market
 - Shortage of commodity in market
 - Supply curve will shift
 - Demand curve will shift
- (xix) Equilibrium
- Is a state that can never be achieved in economics
 - Is an important idea for predicting economic changes
 - Is a stable condition
 - Is an unstable condition.
- (xx) Market equilibrium means
- Number of buyers and sellers are equal
 - Demand and supply of commodity are equal
 - No price is changing
 - Price rises very slowly.
- (xxi) Only the equilibrium price
- Lasts longer
 - Not lasts longer
 - Temporary changes
 - None of the above
- (xxii) In case of price determination
- Price and supply move in the same direction
 - Price and supply move in opposite direction
 - Price and supply do not move in the same direction
 - Price and demand do not move in the opposite direction.
- (xxiii) Prices are determined
- By the forces of demand and supply
 - Where there is equilibrium between demand and supply
 - Any change in price disturbs the equilibrium point of demand and supply.
 - All are true.

(xxiv) When quantity demanded of a product is equal to its quantity supplied the price determined will be

- | | |
|-------------------|----------------------|
| a) General price | b) Equilibrium price |
| c) Specific price | d) None of the above |

(Section-B = 36 Marks)

Q2: Attempt any twelve parts. The answer to each part should not exceed 3 to 4 lines (12x3) = 36 Marks

- (i) What does “other things remain constant” mean in the law of demand?
- (ii) Draw a demand curve.
- (iii) Make a schedule of demand.
- (iv) What are the meanings of demand in Economics?
- (v) What is the slope of demand curve?
- (vi) Write any three limitations of the law of demand.
- (vii) Define the law of demand.
- (viii) What is the difference between individual demand and market demand?
- (ix) State the four assumptions of law of demand.
- (x) Define supply.
- (xi) Write down the meanings of supply.
- (xii) What is difference between stock and supply?
- (xiii) Write a short note on stock.
- (xiv) Define law of supply.
- (xv) What are the assumptions of law of supply?
- (xvi) What is meant by limitations of law of supply?
- (xvii) What is meant by the factors effecting supply? Name any four factors.
- (xviii) Prepare a supply schedule.
- (xix) Explain the terms.
 - a. Extension of supply.
 - b. Contraction of supply.
- (xx) Write the definition of “Prof Meyers” about supply.
- (xxi) Equilibrium between demand and supply.
- (xxii) Prepare the schedule (Table of price determination)

- (xxiii) Draw a diagram showing equilibrium point or balanced price in it.
- (xxiv) Write main points of price determination.
- (xxv) Market equilibrium means a situation where $Q_s = Q_d$. Briefly explain what is meant by it?
- (xxvi) What is the name of price which is determined by the equilibrium between demand and supply?
- (xxvii) What do you mean by Market price determination?

(Section-C = 24 Marks)

Q3: Attempt any three questions. All questions carry equal marks (3x8=24)

- (i) Explain the law of demand and its assumptions also.
- (ii) Write down the factors affecting demand
- (iii) In economics demand is used in three senses explain it with the help of a schedule and curve.
- (iv) Define law of supply and explain it with the help of schedule and curve.
- (v) Write down the assumptions of law of supply.
- (vi) Explain the factors effecting supply
- (vii) What is meant by equilibrium between demand and supply? Describe in detail with the help of table and curve.
- (viii) Explain the concept of equilibrium between forces of demand and supply.
- (ix) What do you know about the concept of equilibrium?

OR

How prices are determined?

About the Author

The author, Mrs. Ismat Khalil, holds Master's degree in Economics from Punjab University Lahore. She studied in Lahore College University for Women and stood first in M.A. Economics in Punjab. She was awarded Gold Medal by the Punjab University, Lahore.

She served as a lecturer in Economics in Islamabad Model College for Girls (I.M.C.G), F-10/2, Islamabad for over 24 years. She was a pioneer in establishing the Economics department in I.M.C.G. F-10/2. Initially, she started teaching Economics to 9th and 10th classes. Later, she had also been teaching Economics at intermediate and graduation levels.

Besides teaching, she also worked as paper setter in Economics for Federal Board of Intermediate & Secondary Education, Islamabad, for the SSC classes. She also developed Multiple Choice Questions (MCQ's) and objective questions in Economics for students of SSC and HSSC classes.

Apart from her teaching duties, she also worked as an Examination Incharge for in-house examinations, continuously for a period of 20 years. She developed a comprehensive and formidable examination system that is still prevalent in I.M.C.G F-10/2, Islamabad.

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