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Introduction to Economics

Economics is a social science concerned with the production, distribution, and consumption of goods and services. It studies how individuals, businesses, governments, and nations make choices about how to allocate resources. The building blocks of economics are the studies of labor and trade. Since there are many possible applications of human labor and many different ways to acquire resources, it is the task of economics to determine which methods yield the best results.

Economics can generally be broken down into **macroeconomics,** which concentrates on the behavior of the economy as a whole, and **microeconomics,** which focuses on individual people and businesses.

Microeconomics focuses on how individual consumers and firms make decisions; these individual decision making units can be a single person, a household, a business/organization, or a government agency. Analyzing certain aspects of human behavior, microeconomics tries to explain how they respond to changes in price and why they demand what they do at particular price levels.

Macroeconomics studies an overall economy on both a national and international level, using highly aggregated economic data and variables to model the economy. Its focus can include a distinct geographical region, a country, a continent, or even the whole world.

Business is an organized approach to providing customers with the goods and services they want. The word business also refers to an organization that provides these goods and services. Most businesses seek to make a profit - that is, they aim to achieve revenues that exceed the costs of operating the business. Prominent examples of for-profit businesses include Mitsubishi Group, General Motors Corporation, and Royal Dutch/Shell Group. However, some businesses only seek to earn enough to cover their operating costs. Commonly called nonprofits, these organizations are primarily nongovernmental service providers. Examples of nonprofit businesses include such organizations as social service agencies, foundations, advocacy groups, and many hospitals.

When people want to set up or start a company they need money called **capital.** Capital is typically cash or liquid assets held or obtained for expenditures. In financial economics, the term may be expanded to include a company's capital assets**.**

Production includes those activities involved in conceptualizing, designing, and creating products and services. In recent years there have been dramatic changes in the way goods are produced. Today, computers help monitor, control, and even perform work. Flexible, high-tech machines can do in minutes what it used to take people hours to accomplish. Another important development has been the trend toward just-in-time inventory. The word inventory refers to the amount of goods a business keeps available for wholesale or retail. In just-in-time inventory, the firm stocks only what it needs for the next day or two. Many businesses rely on fast, global computer communications to allow them to respond quickly to changes in consumer demand. Inventories are thus minimized and businesses can invest more in product research, development, and marketing.

Finance involves the management of money. All businesses must have enough capital on hand to pay their bills, and for-profit businesses seek extra capital to expand their operations. In some cases, they raise long-term capital by selling ownership in the company. Other common financial activities include granting, monitoring, and collecting on credit or loans and ensuring that customers pay bills on time. The financial division of any business must also establish a good working relationship with a bank. This is particularly important when a business wants to obtain a loan.

Businesses rely on effective **Human Resource Management (HRM)** to ensure that they hire and keep good employees, and that they are able to respond to conflicts between workers and management. HRM specialists initially determine the number and type of employees that a business will need over its first few years of operation. They are then responsible for recruiting new employees to replace those who leave and for filling newly created positions. A business's HRM division also trains or arranges for the training of its staff to encourage worker productivity, efficiency, and satisfaction, and to promote the overall success of the business. Finally, human resource managers create workers' compensation plans and benefit packages for employees.