

University of Djilali Bounaama Khemis Miliana
Faculty of Economic Sciences, Commercial Sciences and
Management Sciences

Section: 3

What is economics?

Economics is the study of the consumption of goods and services in a society, and the organization of its money, industry, and trade. It is concerned with human beings and social systems by which they organize their activities to satisfy basic material needs (e.g: food and clothing) and non material wants (e.g: education and knowledge).

Key Principles of Economics

Scarcity is the basic economic problem that exists because we as humans have unlimited wants that cannot be met by the limited amount of resources our world has. Any good or service that has a non-zero price is considered scarce. It will cost you something to consume that good or service. Without scarcity, there would be no reason to study economics. People would consume everything they could possibly consume and not have to make choices or trade-offs between goods and services.

Marginal cost: at each level of production and during each time period, costs of production may increase or decrease, especially when the need arises to produce more or less volume of output. If manufacturing additional units requires hiring one or two workers and increases the purchase cost of raw materials, then a change in the overall production cost will result.

The focus of Economy:

Microeconomics is the study of decisions made by people and businesses regarding the allocation of resources, and prices at which they trade goods and services. Microeconomics focuses on supply and demand, production process and the costs of production in which the price of goods or services is determined by the cost of the resources used during production.

Macroeconomics, on the other hand, studies the entire economy, focusing on large-scale decisions and issues. Macroeconomics includes the study of economy-wide factors such as the effect of rising prices or inflation on the economy.

Macroeconomics also focuses on the rate of economic growth, which represents the total amount of goods and services produced in an economy. Changes in unemployment and national income are also studied.