

## **Economic sciences L1**

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**The title of the lecture: Introduction to Economics**

### **Introduction to Economics**

#### **What is Economics**

Economics is a vast and dynamic field that has shaped human civilisation for centuries. As a social science, it attempts to comprehend how individuals, corporations, and governments allocate resources to meet their wants and goals. Economics is more than just financial markets and monetary transactions; it affects many aspects of human existence, including legislative choices, global commerce, and even everyday home budgets. In general, economics studies the production, distribution, and consumption of products and services, giving frameworks and ideas to assist societies in managing their resources effectively.

#### **The Evolution of the Field**

Historically, economic philosophy has developed in reaction to changing societal requirements. Ancient civilisations, such as the Greeks and Romans, participated in trade and commerce, structuring their economies according to basic economic concepts. During the Middle Ages, mercantilism dominated economic thought, stressing wealth acquisition via commerce. However, economics did not become a formal subject until the 18th and 19th centuries, when researchers like Adam Smith, David Ricardo, and Karl Marx made significant contributions. These scholars established the foundation for classical and political economics by addressing fundamental issues about labour, capital, and markets.

## The Basics of Economics

Modern economics is roughly divided into two branches: microeconomics and macroeconomics. Microeconomics examines individual actors, such as customers and businesses, and their decision-making processes. It examines how prices are set, markets operate, and resources are distributed efficiently. In contrast, macroeconomics studies aggregate phenomena such as inflation, economic growth, and unemployment. These two areas are inextricably linked, creating the cornerstone of economic research and policymaking.

Along with these basic categories, economics has over time addressed a number of important research axes. These consist of international trade, market structures, economic policies, and economic systems. Societies' resource ownership and distribution are governed by economic systems like capitalism, socialism, and mixed economies. Market arrangements, which can range from monopolies to perfect competition, impact pricing processes and dictate how businesses function. In order to stabilise economies and promote growth, economic policies—including monetary and fiscal policies—are essential. Last but not least, international commerce and globalisation have influenced economic development and wealth distribution globally, shaping contemporary economic interactions.

Understanding the intricacies of contemporary civilisations requires a solid understanding of economics. It offers analytical tools for evaluating market patterns, forecasting economic activity, and creating policies that support equitable wealth distribution and sustainable growth. Economics is still a vital field that provides answers for a brighter future as the globe struggles with issues like income inequality, climate change, and technological upheavals.

## **Supply and Demand**

The study of supply and demand is one of economics' main tenets. Prices for goods and services are set by the interplay of these two factors, which also affects consumer behaviour and corporate tactics. Prices typically rise when demand for a product rises while supply stays the same, encouraging manufacturers to boost production. On the other hand, when supply exceeds demand, prices decline and production levels are modified. To understand how markets function and how economic equilibrium is reached, one must have a solid understanding of this mechanism.

## **Areas of Economics**

The function of government interference in the economy is another crucial area of economics. Later economic theories, like Keynesian economics, called for active government measures to stabilise economies during times of recession or inflation, whereas classical economists like Adam Smith promoted the idea of free markets with little government intervention. To affect economic activity and advance national economic stability, governments employ a variety of instruments, including taxation, subsidies, and interest rate changes. One of the main topics of discussion in economics today is the conflict between government intervention and free-market principles.

Furthermore, economic study has placed a great deal of emphasis on economic growth and development. While development has a more comprehensive viewpoint, taking into account elements like income distribution, education, healthcare, and infrastructure, growth is commonly quantified by the rise in a nation's gross domestic product (GDP). To create policies that promote long-term prosperity, economists examine the elements that propel economic growth, such as investment, labour productivity, and technological innovation.

But worries about social justice and environmental sustainability have sparked debates about how to build the economy without endangering the welfare of future generations.

Behavioural economics, which questions the conventional wisdom that people always make logical decisions, is another significant area of economics. In order to comprehend how prejudices, feelings, and social factors impact economic decisions, this area integrates ideas from psychology. The explanation of phenomena like consumer purchasing patterns, financial decision-making, and market inefficiencies has been greatly aided by behavioural economics. Businesses and policymakers can create more effective plans to steer economic behaviour in positive directions by recognising that people don't always behave logically.

In addition, the topic of economic inequality has gained more attention in recent years. Economic growth and social stability are significantly impacted by the unequal distribution of income and wealth. Economists examine policy options such as progressive taxation, minimum wage changes, and social welfare programs to reduce gaps after analysing the causes and effects of inequality. For politicians everywhere, finding a balance between social justice and economic efficiency continues to be a significant problem.

Last but not least, technical development and digitisation have brought about revolutionary changes in the global economy. New economic opportunities and threats have been brought about by the development of automation, artificial intelligence, and digital currencies. Traditional economic models have been reinterpreted by the gig economy, cryptocurrency markets, and e-commerce, leading economists to reevaluate market competitiveness, labour dynamics, and financial laws. Economics needs to change as technology advances in order to properly assess and control its effects.