

Chapter 1: Introduction to Economics

1-1. What Is Economics?: The word "economics" is from the [Greek](#) words [oikos], meaning "family, household, estate," and [nomos], meaning "custom, law," and hence means "household management" or "management of the state"¹.

1-2. [Economist](#) is a person who uses economic concepts and data in the way of employment, or someone who has got a university [degree](#) in the subject.

1-3. There are many definitions of economics as follow:

- Economics is a [social science](#) seeking to analyze and describe the production, distribution, and consumption of goods and services.
- The social science that deals with the production, distribution, and consumption of goods and services and with the theory and management of economies or economic systems².
- The study of man in the ordinary business of life.
- Is the science that study the wealth of nation.

1-4.Branches of Economics: Economics is subdivided into two main branches:

- **[Microeconomics](#):** is a branch of [economics](#) that studies the economic behavior of individual units such as businesses and households in face of scarcity and government relations.
- **[Macroeconomics](#):** is a branch of [economics](#) that studies an economy as a whole with a picture to understanding the relations between economic aggregates such as [national income](#), [employment](#) and [inflation](#).

1-5.Scarcity: exists in every society because human material wants are unlimited, whereas the economic resources necessary to produce the goods and services to satisfy these wants are limited³.

¹ <http://en.wikipedia.org/wiki/Economics>

² American Heritage Dictionary of the English Language.

Scarcity is a fundamental problem for every society. Decision must be made regarding *what* to produce, *how* to produce, and for *whom* to produce.

1-6. Positive economics:

Positive economics is the branch of [economics](#) that concerns the description and explanation of economic phenomena. It focuses on facts and cause-and-effect relationships and includes the developing and testing of [economic theories](#).

1-7. Normative economics:

Normative economics is the branch of [economics](#) that merges [value](#) rules about what the economy should be like, or what particular [policy](#) actions should be recommended to achieve a desirable goal.

³ Dominick Salvatore and others: principles of economics: second edition: library of congress: 1995: page 12.