

## Economics

1-The Origin of the word: economics is a word derived from the Latin language (ikous) which means the household ,and (nomus) which means the house affairs or management.

2-What is economics?

Definitions : Economics can bpe defined as follows:-

a/ - Economics is the science which concerns in producing, exchanging and accumulating wealth(Adam Smith).

b/- Economics is the science that studies the human behavior in the ordinary business of life .(A. Marshall)

c/ -Economics is the science that studies the general principles of managing the economic resources by individuals and the states.(Wickstead).

d/- Economics is the study of the production and distribution of the wealth.(J.Mill).

e/- Economics is the sciences that studies the economic welfare of nations.(Pigout)

f/- Economics is the arranged efforts for satisfying the human needs.(Wicksell).

g/-Economics is the study which focuses on the way in which man attempts to overcome the problem of scarcity.(E.Nevin).

h/- The most widely accepted definition is that of professor Lionel Robins who believes that “economics is the science that studies the human behaviors as a relationship between ends and scarce means which have alternative uses.(Lionel Robins)

- Economics is the study of the use of limited productive resources in a society, to satisfy the unlimited human wants of its members.
- What is meant by human want's?  
Human wants are things, services goods and circumstances that people desire.

### The Economic problem

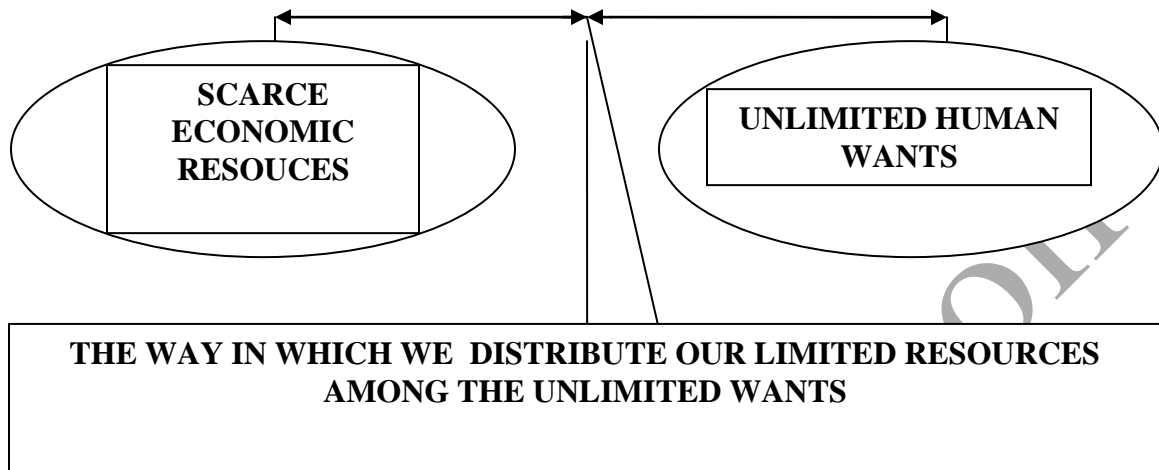
What is the fundamental economic problem ?

The fundamental economic problem is scarcity ,the imbalances between our desires and means of satisfying those desires, it is a problem faced by rich as well as by poor societies.

Then, Scarcity and choice are the center problem in the economic theory and analysis this problem is the result of the imbalance between the unlimited human wants and the limited economic resources of people and nation .for instance :

Cars are common but they are relatively scarce in the economic science, because everyone of us would like to have one. People make their choices according to their needs .They demand the necessary goods and services. The problem of choice is essentially solved by the price mechanism, or the market forces demand and supply .

The economic problem can be illustrated by the following graph :-



To understand what is economic, you must know what resources are, why they are scarce and how choices are made as to their use and allocations .

The four economic resources :

- What is meant by resources ?

Resource are the things or services used to produce goods and services which can be used to satisfy human wants .

We have two kind of resources :

1- Free resources ,such as sand in the desert ,sea water at the beach and air ,the free resources are :

- Unlimited
- We do not need to pay for it .
- We can use it to satisfy our needs .

2-Economic resources are :

- Scarce( Limited).
- We have to pay for it .
- We can used to satisfy our need .

Economic resources can be classified into four categories ,each of which is described below :

**Land** : includes:

1- Natural resources :

Timber, oil ,coal ,iron ore, soil and other minerals.

2- Environmental resources: air ,water, and climate.

3- Land is important and valuable resources in both agriculture and industry.it used for farming and we build factories, office buildings ,shopping centers, parts and homes on it . the rent is the basic payment made to the owners of land .

**Labor:**

Human efforts ,both physical and mental are included in the category of Labour.

Labor is the work and time for which employees are paid .about two-thirds of the total resources costs are paid to Labour in the form of wages and salaries.

**Capital:**

Is 'man'- made goods used to produce other goods and services.it consist mainly of plant, buildings ,equipment ,inventories and other nonhuman producible resources that contribute to the production .Marketing and distribution of goods and services all fall within the economist's definition of capital. Firms often raise funds to acquire new capital by borrowing money or issuing new corporate stock. without capital the nation's output level would be less than it is .

**Entrepreneurship:**

Is the talent to develop products and processes and to organize production to make goods and services available. The entrepreneurs are innovators ,risk taker and use new advances technology, which help us to cope with the problems of scarcity by making workers ,capital and land more productive

## 2- The three fundamental questions of economics:

In any society ,scarcity requires choices to deal with the following basic questions:

### 1- What to produce?

Decision must be made about what to produce and how much of each item to produce with the limited resources available. choices must be made about which goods and services to make available and which to forgo.

### 2- How are goods produced?

Alternative means are available to producing goods and services in utilizing available scarce resources, the methods of production chosen can affect the overall well-Bing of a nations citizens.

Production methods that allow more output to be squired firm available resources enable those resources to satisfy human wants.

### 3- For whom are goods produced?

How is the national product divided among different households.

The income a person has available for spending depends on earnings from work , income from investments or rent and any gifts received. It also depends on the taxes the person must pay and the payments the person receives from governments.

People with higher income will enjoy more and better products and services than people with lower income .