Basics of economics

Economics

- Economics is the social science that studies the production, distribution, and consumption of goods and services.
- Economics focuses on the behaviour and interactions of economic agents and how economies work. Microeconomics analyzes basic elements in the economy, including individual agents and markets, their interactions, and the outcomes of interactions. Individual agents may include, for example, households, firms, buyers, and sellers.

What then is the definition of economics?

- One way to think of it is the study of what constitutes rational human behavior in the endeavor to fulfill needs and wants given a world with scarce resources. In other words, economics tries to explain how and why we get the stuff we want or need to live.

- Macroeconomics analyzes the entire economy (meaning aggregated production, consumption, savings, and investment) and issues affecting it, including unemployment of resources (labour, capital, and land), inflation, economic growth, and the public policies that address these issues (monetary, fiscal, and other policies). See glossary of economics.

- Other broad distinctions within economics include those between positive economics, describing "what is", and normative economics, advocating "what ought to be"; between economic theory and applied economics; between rational and behavioural economics; and between mainstream economics and heterodox economics.

- Economic analysis can be applied throughout society, in business, finance, health care, and government. Economic analysis is sometimes also applied to such diverse subjects as crime, education, the family, law, politics, religion, social institutions, war, science, and the environment.

- Adam Smith was a Scottish economist, philosopher and author as well as a moral philosopher, a pioneer of political economy and a key figure during the Scottish Enlightenment. He is often considered the "father of modern economics." His book "An Inquiry into the Nature and Causes of the Wealth of Nations" (1776) was the first fully elaborated attempt to understand why some nations prospered while others suffered widespread poverty. He famously argued that individuals working for their own self-interest could nonetheless create a stable and well-provisioned society through a mechanism he called the invisible hand of the market.