



Chapter 1

Principles of Economics

The Concept of Economics

The term is derived Economics from the Greek word consists of two words (oikos) and meaning of home and (nomos) and measure its meaning and thus be the meaning of the Greek word (home) measure.

The term "Economy" first dates back to Xenophon, about 426-354 BC.

The Greeks used this concept to mean the art of household management.

Definition of Economics

Adam Smith: The first of the books in the Economy (in 1776 AD) in his famous book entitled "The Wealth of Nations", and defined as the science that deals with the means by which can a nation that enriched.

Sam Wilson has been known as the science of Economics (the science that studies how communities can be used for the production of rare valuable commodities and distributes resources between different people.

Oskarlanka : socialist economic: it is aware of the economic and social laws of the process.

- Studies the Process of Production, Distribution, Exchange and Consumption.
- Economics is the study of how humans make decisions in the face of scarcity.
- These can be individual decisions, family decisions, business decisions or societal decisions.

Scarcity:

Means that human wants for goods, services and resources exceed what is available. Resources, such as labor, tools, land, and raw materials are necessary to produce the goods and services we want but they exist in limited supply.

Of course, the ultimate scarce resource is time- everyone, rich or poor, has just 24 hours in the day to try to acquire the goods they want.

At any point in time, there is only a finite amount of resources available



Economics is the study of how best to allocate scarce resources among competing uses. Our wants exceed our resources. So, we must choose which activities to pursue and which to forgo.

Economics is a social science that deals with how consumers, producers, and societies choose among the alternative uses of scarce resources in the process of producing, exchanging, and consuming goods and services.

Solve The Economic Problems

1. **Reduce the scarcity** of economic resources by reducing human desires in goods and services
2. **Operation** of all Economic resources, natural resources, for example, Administration, will lead to increased goods and services and satisfy the needs.
3. **Economic efficiency** in the use of Economic resources will result in reducing the scarcity of Economic resources

Is Economics Science or Art?

Science: in the field of theoretical (course) Scientific Theory

Art: In the field of application Applied Life.

Economics Theory

It is an attempt to explain the cause of the economic phenomenon and thus to predict what it will be independent. Or a set of tariffs between the meanings of terms used, and a set of hypotheses to the phenomenon of phenomena which can be reached by logical deduction and conclusions used in the prediction of the disposal of the phenomenon in the future.



The Study of Economics

1. Macroeconomics:

- ❖ Is the general picture of economics liked recession, growth, inflation. Macroeconomics concerns economics of cities, countries or the world.
- ❖ Looks at the economy as a whole.
- ❖ It focuses on broad issues such as growth of production, the number of unemployed people, the inflationary increase in prices, government deficits, and levels of exports and imports.
- ❖ Macroeconomics focuses on broad aggregates like growth in GDP, interest rates, inflation and employment.
- ❖ The big picture: growth, employment, etc.
- ❖ Choices made by large groups (like countries).

2. Microeconomics:

- ❖ Study of the economic behavior of individual units of an Economy (such as a person, household, firm, or industry).
- ❖ Small part of economy, deals with small, specific situation. Microeconomics deals with the supply and demand equation of individuals, families, companies or industries (firms), simply put Microeconomics deals with SMALL specifics.
- ❖ How do individuals make Economic decisions.

Deference Between Microeconomic and Macroeconomic

Microeconomics	Macroeconomics
1. Studied individual income.	1. Studies national income.
2. Analyzes demand and supply of labor.	2. Analyzes total employment in the economy.
3. Deals with households and firms' decisions.	3. Deals with aggregate decisions.
4. Studies individual prices.	4. Studies overall price level.
5. Analyzes demand and supply of goods.	5. Analyzes aggregate demand and aggregate supply.



The Economic System

Is the rules and laws, traditions and principles that the national economy and control processes through which the use of productive resources to satisfy human needs. Every economic system answers the questions below own way:

1. What is produced?
2. And how much is produced?
3. And those who produce?
4. It produces?

- ❖ WHAT to produce (**Make**)
- ❖ HOW MUCH to produce (**Quantity**)
- ❖ HOW to Produce it (Manufacture)
- ❖ FOR WHOM to Produce (who gets what)
- ❖ WHO gets to make these decisions?

Types The Economic System

1. The Capitalistic System- Market Economy.
2. The Socialistic System- Planned Economy.
3. Mixed Economy.
4. The Islamic system.
5. Socialistic Democratic

1. The Capitalistic System- Market Economy

The rule of private ownership of the factors of production, the rule of the market mechanism to determine production and prices.

Principles of Capitalism

Competition – more businesses means lower prices and higher quality products for consumers (US!) to buy.

Automatic solving problems through the price mechanism.

1- The planned economy system (Socialist/ Command Economies

The rule of public ownership of the factors of production, the sovereignty of the state's role in the planning system and economic decision-making, such as production, employment and distribution, the principle of the rule of public interest.

In this system solves the problems of production and distribution problems by central government planning.

- ❖ Def: Economic questions answered by the government
- ❖ Very little economic choice
- ❖ No private ownership Communism.
- ❖ Old Soviet Union, old Communist China, Cuba and North Korea.



2- **Mixed Economy system:**

Mixed Economy both capitalist and socialist systems.

3- **Islamic economic system**

Can identify the most important foundations and features that characterize:

1. Economic problem related to the man himself: his needs / wishes
2. Islam recognizes the principle of economic freedom of the individual at all you do: objective restrictions + spiritual
- 3- Equitable distribution of income and wealth is based on:
 - Prohibition of usury.
 - Exploitation.
 - Extravagance and waste.
 - Prohibition of fraud and hypocrisy and deception.
 - Zakat

Economic Activities

1. Production
2. Exchange
3. Distribution
4. Consumption.

Major Economic Sector

1. Agricultural Sector.
2. Industrial Sector.
3. Trade Sector.
4. Tourism Sector, Transport, Investment.....etc

Factors Of Production

- 1.Land (Raw Materials)
- 2.Labor (Number and skills of workers)
- 3.Capital (Machinery, building...).
- 4.Entrepreneurship (Skills in creating products, series and processes.

Branches of Economy

Organization of financial and commercial transactions branches of economy

1. **Find or theoretical Economy** - Economic Theory

Looking at the economic theories of rationality to use to solve the economic problem, such as: supply and demand, the market is full of competition, the market is full of competition, monopolistic market, the market monopolistic competition, employment, national income, economic cycle.



2. **Labor Economics:** Looking supply and Electroplating work in the labor market, wages and working hours, labor unions, Workers' Activities, demonstrations.... etc.

3. **International Economics:** Looking for international economic exchanges, economic relations, theories of international exchange, the agreement and international treaties.... etc.

4. **Economics of Public Utility:** Looking for public services like electricity, water, transport and communications.... etc.

5. **Economics of Money and Banking:** Looking for the currency market, and currency, assets, credit ...etc.

6 -**Public Financial Economics** - Economics of Public Finance
Looking for the budget, expenses, revenues, salaries, taxes.... etc.

7-**Mathematical Economics:** Looking for economic laws sporting way, and turns to the descriptive economy Applied Economics.

8- **The economics of Planning and Development**

Looking for a standard economic development and economic underdevelopment phenomenon.

9- **Agricultural Economics**

It's the science that looks at the economic problems in the agricultural sector and the application of economic theories and laws on the use of land, labor, capital, and element management in agriculture. In the field of economy, the economy scientists to determine the basic economic principles and laws both at the macroeconomic level or in part, and the study of economic relations and development, and agricultural economists' canvassers to apply those principles and theories in the field of the agricultural sector to reach optimal solutions to the problems of the sector.

10. **Industrial Economics:**

It is a branch of applied economics, like applied economic sciences, such as agricultural economics, international trade, and public finance. It represents an application of micro and macro-economic theory. It uses various tools, concepts, and methods of economic analysis in studying and analyzing economic phenomena and processes that take place within the framework of the industrial sector. In its various branches, levels and patterns, in order to devise solutions and special laws that govern its movement and development and to provide solutions and treatments for the various problems facing the industrial sector and industrial facilities.