

University of OEB

Academic Year : 2025-2026

Department of Economic Science.

Third year licence

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Unit one : Economics As A Science :

Lesson one : Economics and Economics Methods :

1- Introduction :

Economics is the science of how individuals businesses and governments manage scarce resources to satisfy unlimited wants . It helps us understand decision-making at both small and large levels .

2- Meaning of Economics :

Economics is the study of how people use limited resources to produce goods and services and distribute them among different members of society.

3- Branches of Economics :

Economics is divided into several branches that study different aspects of Economic life .

3.1- Micro Economics :

Focus : individual units like households, firms and markets .

Studies : price, demand, and supply , production, cost, competition.

Example : why does the price of bread rise when wheat becomes scarce ?

3.2- Macro Economics :

Focus : the economy as a whole .

Studies : national income, unemployment, inflation, economic growth, government policies.

Example : why does a country face inflation or recession .

3.3- International Economics :

Focus : Economic relation between countries.

Studies : Trade, globalisation, exchange rates, balance of payment.

Example : why do countries export oil but import cars ?

3.4- Development Economics :

Focus : problems of development countries .

Studies : poverty, inequality, education, health .

Example : how can a poor country reduce poverty and increase living standards ?

3.5- Public Economics (public finance) :

Focus : government role in the economy.

Studies : taxes, Public spending, budgets, subsidies.

Example : should governments tax the rich more to reduce inequality ?

3.6- Environmental Economics :

Focus : relationship between economy and environment.

Studies : pollution, climate change, use of natural resources.

Example : how can we reduce pollution without harming Economic growth ?

3.7- Health Economics :

Focus : Economics of health and medical care .

Studies : health care system, costs, efficiency.

Example : should health care be private, public, or mixed ?

3.8- Labor Economics :

Focus : employment and wages .

Studies : labor markets, unemployment, productivity.

Example : why do some workers earn more than others ?

4- Why we study Economics :

- To make better personal choices.
- To guide government policy (inflation, unemployment, poverty)
- To understand global trade and finance .

Economic Methods :

1- Definition :

It is the way Economists study and analyse Economic problems in order to understand how people, businesses, and governments make decisions about scarce resources using different methods.

a- Deductive method : start with general principles and applies it to specific cases .

Ex : if demand increases price rises .

b- Inductive method : observed facts , collects data , and then build theories.

Ex : studying years of inflation data to predict future price exchange.

c- Statistical and mathematical method : use graphs formulas, models, numerical data , averages , percentages to study Economics phenomena .

Ex : collecting data on unemployment in deferent countries then forming a theory about its cases .

d- Historical method : studies past economic events and system to understand present conditions.

Ex : Learning from the great depression (1929) to design policies against modern recession.

e- Experimental /scientific method : involved controlled experiments thought rare in economics to test theories.

Ex : behavioural economists run experiments to see how people make choices about saving or spending.