

An inquiry into the main concepts and branches of Economics.

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1) Introduction

During the past few years, Economics as a whole has been disregarded and described as inefficient, out of date and immensely based on theory that do not fit today's ever changing landscape. However, it is important to consider many aspects of economics that are able to contradict such assumptions as well as give an overall introductory insight on the basis of economic thinking and theory. In order to best approach the topic about to be discussed, we will pose the following question "How is Economics useful to our everyday life as well as our financial well being?" To begin with, considering the complexity of economics we will start by explaining its core branches as a point of view.

2) Macroeconomics

Firstly, Macroeconomics is the study that groups the analysis of global economies and countries. Topics included range from GDP (Gross Domestic product), to Interest Rates, Inflation, Deflation, Unemployment, economic development and most importantly economic policies. Nowadays, policies are the set of decisions that aim to regulate economies, stabilize price levels as well as reduce inequalities. These economic policies will strongly incentivize economic agents to follow certain procedures, rules and processes whenever opting to trade, buy, sell goods and services or even save, consume or invest parts of their wealth. We could paint a picture of macroeconomics as a school that groups all the theory and thought that revolve around us wherever we go. For example, decisions and policies set by central banks or governments that aim to reduce inflation and unemployment as well as boost or stabilize the economy are all part of macroeconomic theories and concepts. Fiscal policies, that aim to adjust taxes and government spending in certain ways that impact positively the welfare of society and economies as well as Monetary policies that control interest rates and money supply (in other words central bank rules and rates) are all part of macroeconomics and undoubtedly vital to the overall financial well being of households, firms and the government.

3) Microeconomics

Secondly, Microeconomics is the branch of economics where markets and the financial behavior of households, firms as well as sometimes the government are thoroughly studied in order to best assess how economic agents react to certain constraints, difficulties and situations. Microeconomics focuses on economic agents and their behavior regarding the scarce resources they own and the financial constraints they face and how such situations can affect their interactions. We could say that microeconomics studies the decision making of firms and individuals and how they interact with each other in different market types such as perfectly competitive markets, monopolies and oligopolies. Game theory, a branch of applied mathematics that is widely used in microeconomics aims to model and analyze situations in which players (economic agents) make decisions using many strategies that affect the outcome of the situations they find themselves in. Set and graph theory are widely used in Game theory, however it is important to highlight the fact that it is as important to understand the qualitative as much as the quantitative in fields like game theory and economics. To add, concepts like cost (especially opportunity cost), utility and marginalism are extensively used in microeconomic theory when analyzing agents and markets.

4) Mathematical Economics and Econometrics

Thirdly, Mathematical Economics and Econometrics are the branches of economics that group all the necessary quantitative tools needed for economic analysis. In these branches it is vital to understand optimization, calculus, statistics (such as regression models), linear algebra and dynamical systems in order to best measure economies, model economic relationships and analyze data in order to extract empirical content out of them. Many people view economics as the social science that requires extensive mathematical solving however an answer to these assumptions in simple words can be the following: on one hand, in areas like physics and tech, (in most cases) the maths is what makes the physicist, the statistician, the mathematician (obviously) but on the other hand, the maths certainly helps economists to understand certain relationships and models but the maths definitely does not make the economist.

5) Conclusion

To sum up, after having introduced the basic concepts and branches of economics, we can deduce the following: Economics is the social science that studies the production, distribution and consumption of goods and services. To answer the question we posed earlier "How is Economics useful to our everyday life as well as our financial well being?", after having explained how macro and micro economics revolve around us and are the basis of all the decisions made by economic agents regarding the scarcity and constraints they face, we can conclude that Economics is the basis of financial thinking, the crucial and indispensable science that aims to serve the society's welfare and interests.



Adam Smith



David Ricardo

A list of renowned economists that have shaped economics and contributed to the field immensely includes:

- Thomas Malthus
- Adam Smith
- David Ricardo
- F.A. Hayek
- Karl Marx
- John Maynard Keynes
- Milton Friedman
- Thorstein Veblen
- Joseph Schumpeter