CHAPTER 1:
INTRODUCTION TO ECONOMICS

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DEFINITION OF ECONOMICS
BASIC ECONOMICS CONCEPTS
PRODUCTION POSSIBILITIES CURVE
BASIC ECONOMIC PROBLEMS

Branches of Economics

Microeconomics

- Deal with individual and specific units of economics
- A branch of economics which studies the behaviour and decisions of individual entities, such as households, firms and markets
- Studies the way in which individual markets work, the detailed way in which regulations and taxes affect the allocation of labour, and goods and services

Macroeconomics

- Deal with economics as a whole
- Examines the determination of the overall levels of economic activity, such as unemployment, aggregate income, average prices, inflation and international trade

MICROECONOMICS	MACROECONOMICS
Studies individual and specific economic units	Studies economics as a whole
Analyzes the economic entity in detail	Analyzes the economic unit in general
Looks at the individual unit	Looks at the entire or aggregate aspects
Example: • <u>Production</u> Individual, firm and industry • <u>Prices</u> Individual goods and services • <u>Income</u> Distribution among factors of production • <u>Employment</u> Household supply of labour	Examples: • <u>Production</u> Gross Domestic Product (GDP), Gross National Product (GNP), aggregate demand & aggregate supply • <u>Prices</u> Average price, Consumer Price Index (CPI), inflation • <u>Income</u> Total wages & salaries, total profit • <u>Employment</u> Total employment & unemployment

CONVENTIONAL PERSPECTIVES	ISLAMIC PERSPECTIVES
A study of how societies organize scarce resources to fulfill their unlimited wants	Studies the economic problems faced by people imbued with Islamic values

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