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وزارة التعليم العالي والبحث العلمي
جامعة البليدة 2 لونيسي علي
كلية العلوم الاقتصادية ، العلوم التجارية و
علوم التسيير
قسم جذع مشترك

Business English

Second semester

Unit 01 : Introduction to economics

Lecture 01: Basic economic terms

First year students

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Economics is popularly known as the "Queen of Social Sciences". It studies economic activities of a man living in a society. Economic activities are those activities, which are concerned with the efficient use of scarce means that can satisfy the wants of man.

1- **Some economics terminologies**

- **Economics** is the social science (branch of knowledge) that deals with the production, distribution and consumption of goods and services
- **Economy** means the relationship between production, trade and the supply of money in a particular area (country or region)
- **Economic** is used to denote an object or an action that is justified in terms of profitability
- **Economical** means giving a reasonable value to time, money and effort spent.

2- **Definition of economics:**

The word economics has been derived from the Greek Word **"OIKONOMICAS"** with **"OIKOS"** meaning a household and **"NOMOS"** meaning management. Economics, in the most literal sense, is the study of How an individual, society or a country uses limited or scarce resources available with it to satisfy unlimited wants.

3- **Branches of economy**

Economics has been divided into two broad parts i.e. Micro Economics and Macro Economics.

3-1- Definition of Micro Economics

Microeconomics is the branch of economics that concentrates on the behaviour and performance of the individual economic agents within the economy such as consumers, family, industry, firms, etc. It ascertains how the limited resources are allocated among various individuals to satisfy their wants? As well as it specifies the conditions for the best possible utilization of the resources, in order to attain maximum output and social welfare.

3-2- Definition of Macro Economics

The branch of economics that studies the behavior of the whole economy, (both national and international) is known as Macroeconomics.

It covers the major areas of the economy like unemployment, poverty, general price level, total consumption, total savings, GDP (Gross Domestic Product), imports and exports, economic growth, globalisation, monetary/ fiscal policy, etc.

3-3- Key Differences between Micro and Macro Economics

The points given below explain the difference between micro and macro economics in detail:

1. Microeconomics studies the particular segment of the economy, i.e. an individual, household, firm, or industry. It studies the issues of the economy at an individual level. On the other hand, Macroeconomics studies the whole economy, that does not talk about a single unit rather it studies aggregate (large scale) units, such as national income, general price level, total consumption, etc. It deals with broad economic issues.
2. Microeconomics covers issues like how the price of a particular commodity will affect its quantity demanded and quantity supplied and vice versa. In contrast, Macroeconomics covers major issues of an economy like unemployment, inflation, poverty, monetary/ fiscal policies, international trade etc.
3. While analysing any economy, microeconomics takes a bottom-up approach, whereas the macroeconomics considers a top-down approach.

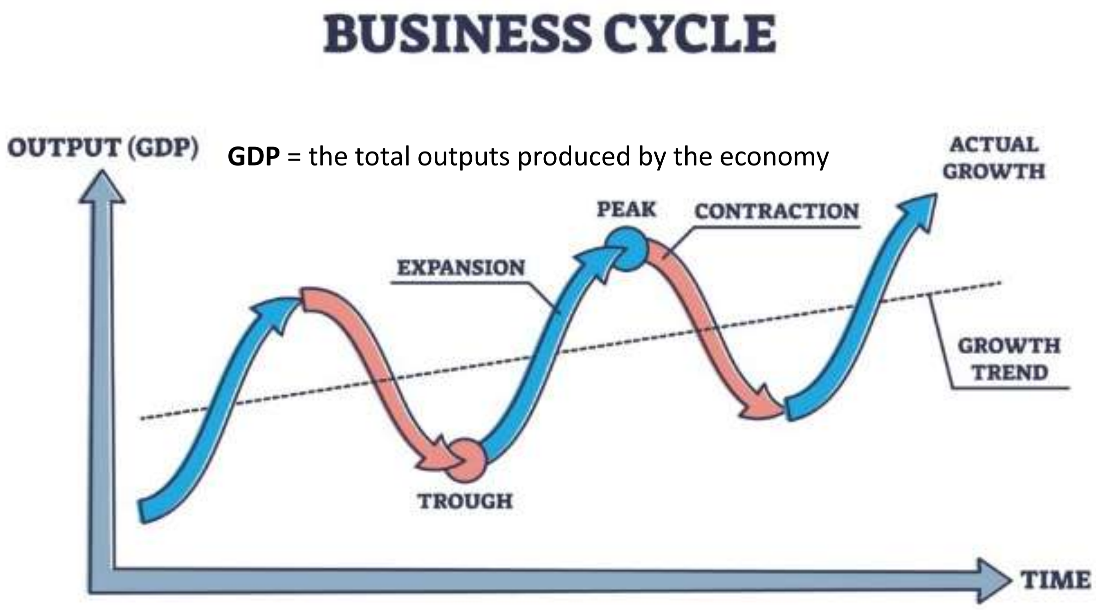
In spite of these differences, we can say that macroeconomics and microeconomics are interdependent. Further, to have a full understanding of economics, the study of both the two branches is pertinent.

4- Business cycle

Economic performance is defined in terms of achieving or failing to achieve economic policy objectives of promoting economic growth, reducing unemployment rate and limiting inflation rate

4-1- Definition

The business cycle is the visualization of the economic conditions; it is a graph that can show us how countries are doing to achieve the economic goals. It goes through four stages in cyclical pattern: expansion, peak, contraction (recession), and trough.



Reference : https://financialdesignstudio.com/understanding-stock-market-and-economic-cycles/

4-2- Phases of the business cycle

A. **Expansion**: During this stage, the economy experiences growth in output, employment, and incomes. Businesses are expanding, and consumer spending is increasing, which leads to higher levels of economic activity and growth.

B. **Peak**: This is the highest point of the business cycle, when economic growth reaches its maximum level and begins to slow down.

C. **Contraction** (recession): This stage is characterized by declining economic activity, falling output, rising unemployment, and decreasing consumer spending. A recession is typically defined as two consecutive quarters of negative economic growth.

D. **Trough**: This is the lowest point of the business cycle, when the economy begins to recover from the contraction. The trough marks the end of the recession and the start of a new expansion.

One business cycle is defined as peak, tough, peak

4-3- Managing business cycles

Business cycles are influenced by a number of factors, including changes in market conditions such as consumer spending, investment and government policies. The second causes are known as shocks. Shocks are unpredictable events like wars or financial crises or natural disasters that serve as sudden abnormal catalysts of expansion or contraction in the economy.

States use monetary and fiscal policies to influence the business cycle by adjusting taxing, interest rates and the money supply to help maintain stable economic growth.

Understanding the economic cycle can help investors and businesses determine when to make investments and when to pull their money out, as it has a direct impact on stocks and bonds as well as profits and corporate earnings.

It's important to note that business cycles are a normal part of the economy, and they tend to occur over a period of several years. However, they will vary in length and severity. Some cycles are short and shallow while others can be deep and long.