

What's economics



Economics is an important area because it relates to matters that affect the entire nation and everyone in the nation. Economics is defined by Lionel Robbins as the study of the use of scarce resources that have alternative uses (Sowell 3). This means that economics studies how individuals, groups and nations use their resources to achieve the best results.

Economics is the study of choice under the conditions of scarcity (Hall & Lieberman 1). This implies that economics is the study of how to make the best choice when faced with one has limited resources. Hall and Lieberman (3) state that there is a fundamental problem with human beings in this world and that lies in the fact that we have unlimited wants although our means to achieve these wants are limited. For example, in life, there are many things that we will want to achieve. However, because we have few resources available to achieve those wants, we have to make good choices that will enable us to get the best possible situation in life.

Economics is therefore a subject that studies how to make the best choices. Whenever a choice is made, the alternative satisfaction forgone is known as the opportunity cost (Hall & Lieberman 3). This means that economics helps us to make the wisest choice and get the best satisfaction in personal terms as well as relative terms (in relation to the opportunity cost).

There are two levels within which economics is studied: macroeconomics and micro economics. Macroeconomics is concerned with the whole economy or large segments of it (Jain & Ohri 3). It is concerned with the rate of inflation, national unemployment and other things of national concerns.

There is another branch of economics that studies the behavior of individuals, households, firms and governments (Hall & Lieberman 8). This branch of economics studies the choices that these units of a nation make

and the interactions of these units. This branch is called microeconomics. Microeconomics is concerned with the interaction of the forces of demand and supply by individuals, households, firms and governments. It seeks to identify the effects of rational decisions in terms of choice in these units of a nations economy. Microeconomics ends up in the formulation of theories about the most rational members of these sub units are likely to take.

Personally, I hope to learn more and become a rational individual and also grow up to take rational decisions everywhere I will find myself. I expect to learn the main theories and concepts of microeconomics so that I become a more successful person in life and make the right choices wherever I go.

In my normal life, I find that the concept of demand and supply is very much at work in every part of this country. The forces of demand works in our every-day life. For instance, in the mornings, where there are a lot of people getting ready to board metro trains from one part of the city to another, most train companies increase fares between 5am and 8am. This is supply is limited, ie the number of seats they have is limited, they can take advantage of the situation and charge higher prices. In the afternoon, where there are more seats available and fewer passengers, most metro train companies charge very low fares. This is because demand at this time of the day is lower than supply.

It can therefore be staid with a degree of certainty that the prices of goods and services are fixed by the forces of demand and supply. Demand and supply determines how a person can take rational decisions to get the best satisfaction from a set of limited resources.

Works Cited

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