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## DEFINITION OF ECONOMICS

A Social Science which deals with choosing and making decisions on producing different products from the limited supply of resources and to distribute it for consumption in order to meet the unlimited needs of the people.

The meaning of Economics, however, has evolved over the centuries. Some of the more notable definitions are:

- “Economics is a study of how individuals and society generally make *choices* that involve the use of *scarce resources* from among alternative wants that need to be satisfied.” (Sicat, 2003)
- “Economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people.” (Samuelson, Nordhaus, 2001)
- “Economics is the study of how a society chooses to allocate scarce resources to meet virtually unlimited wants in order to maximize benefits to society and distribute rewards according to effort.” (Niemi Jr.)

In all of the above definitions, there are two key ideas: (a) *scarcity of resources* and (b) *efficiency*, which denotes the most effective use of these resources. These two concepts are closely related; because resources are scarce or limited, society must use them efficiently.

## IMPORTANT CONCEPTS IN ECONOMICS

1. **SCARCITY**- It refers to the basic fact of life that there exists only a limited amount of resources relative to society’s wants or desires.
2. **CHOICE**- The act of picking or deciding between two or more possibilities
3. **OPPORTUNITY COST**- It is defined as a measure of what must be given up or sacrificed when one chooses one alternative over another

## DIVISIONS OF ECONOMICS

### MACROECONOMICS

It refers to the study of the behavior of the *economy as a whole*.

### MICROECONOMICS

It refers to the study of the *small units* making up the economy.

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**EXAMPLE:**

**DIRECTION:** Identify the following statements if it is macroeconomics or microeconomics

1. Household Expenditure
2. Wage determination in a textile company
3. Supply of Money
4. Inflation Rate

**ANSWERS:**

Microeconomics  
Microeconomics  
Macroeconomics  
Macroeconomics

**METHODS OF ECONOMICS**

Economics uses the scientific approach in dealing with economic phenomena. This are called as **METHODS OF ECONOMICS**

1. Identify the problem.
2. Gathering the data and information.
3. Evaluating the data and formulating theories.
4. Evaluating statistics of data
5. Making policy.

**ECONOMICS AS A SOCIAL SCIENCE**

**SOCIAL SCIENCE** is a branch of knowledge that deals with human beings and their relationship with society. It encompasses the social, political, economic, and cultural relationships that bind people in a civilization. In the academe, it covers several subjects like history, psychology, economics, political science and sociology.

More specifically, economics as a social science deals with the economic activities of man. These include consumption, production, distribution, and exchange of goods and services, which will all be discussed in later chapters.

Economics is related to other social sciences like **history, sociology, and political science.**

**SOCIOLOGY** deals with human behavior and social institutions that are relevant to economic analysis. Religious beliefs, culture, and norms, for example, are important factors in analyzing consumption patterns. Family relationships also affect the productivity of workers. **POLITICAL SCIENCE** deals principles, methods, and organizations of government, which are all major determinants of human economic activity. **HISTORY**, on the other hand, deals with the past, especially with significant events. Historical records are needed for economic analysis. Economists should also have an adequate command of history in order to understand economic phenomena.

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## **IMPORTANCE OF ECONOMICS**

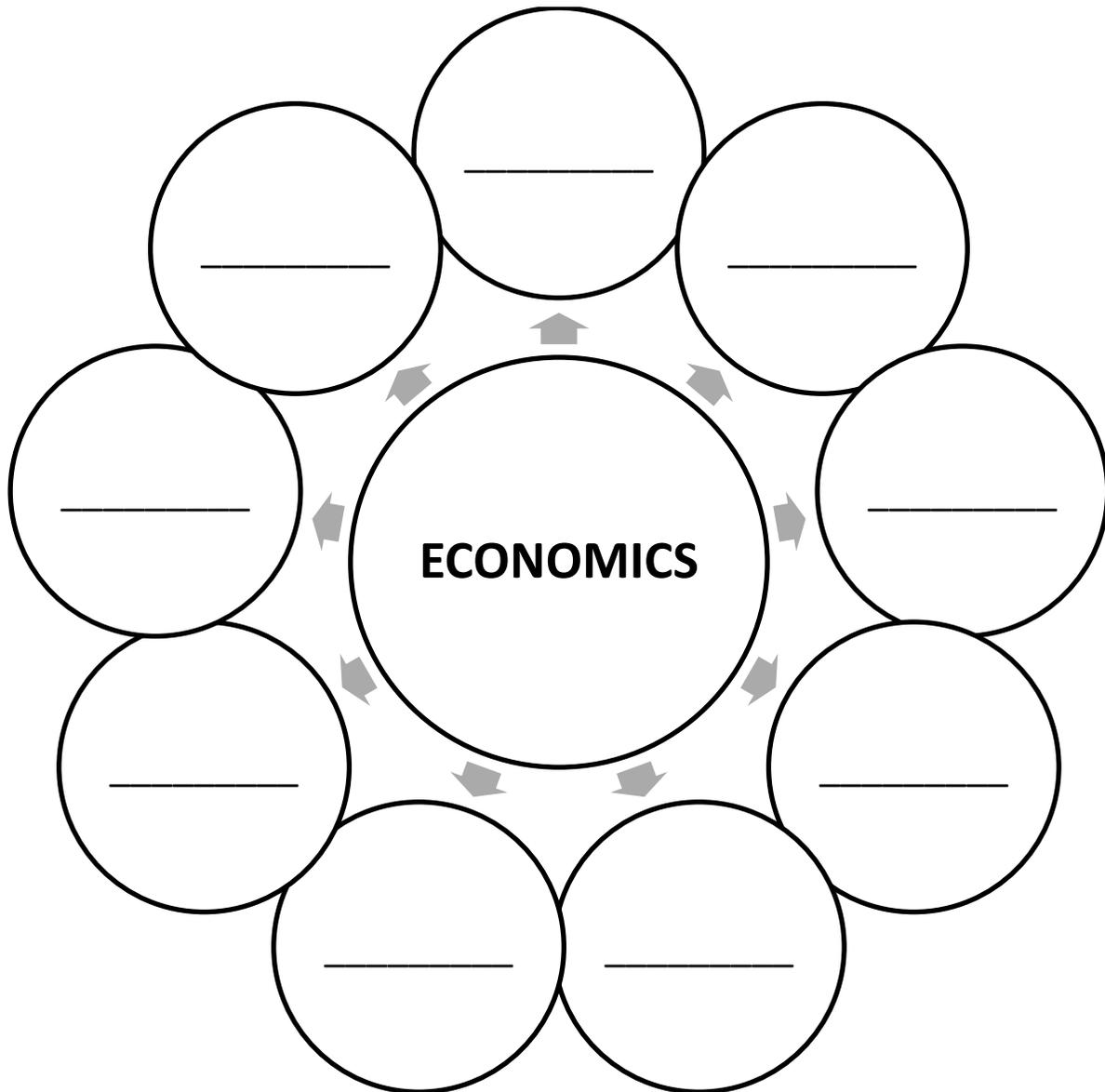
1. It will help you make the right decision-making out of all the possible alternatives given
2. It will help you understand the role of the government in attaining sustainable development
3. Studying economics will give you a glimpse of how the economy of a nation operates
4. It will help our leaders in drafting and implementing economical programs, laws, ordinances for our country
5. It will help us understand the importance of patronizing local products rather foreign goods

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## THE SCIENCE OF ECONOMICS

### ACTIVITY 1:

- ▶ Using the Web Diagram, write as many as you can, terms and concepts which will define our subject Economics.



Define Economics based from the words that you have listed

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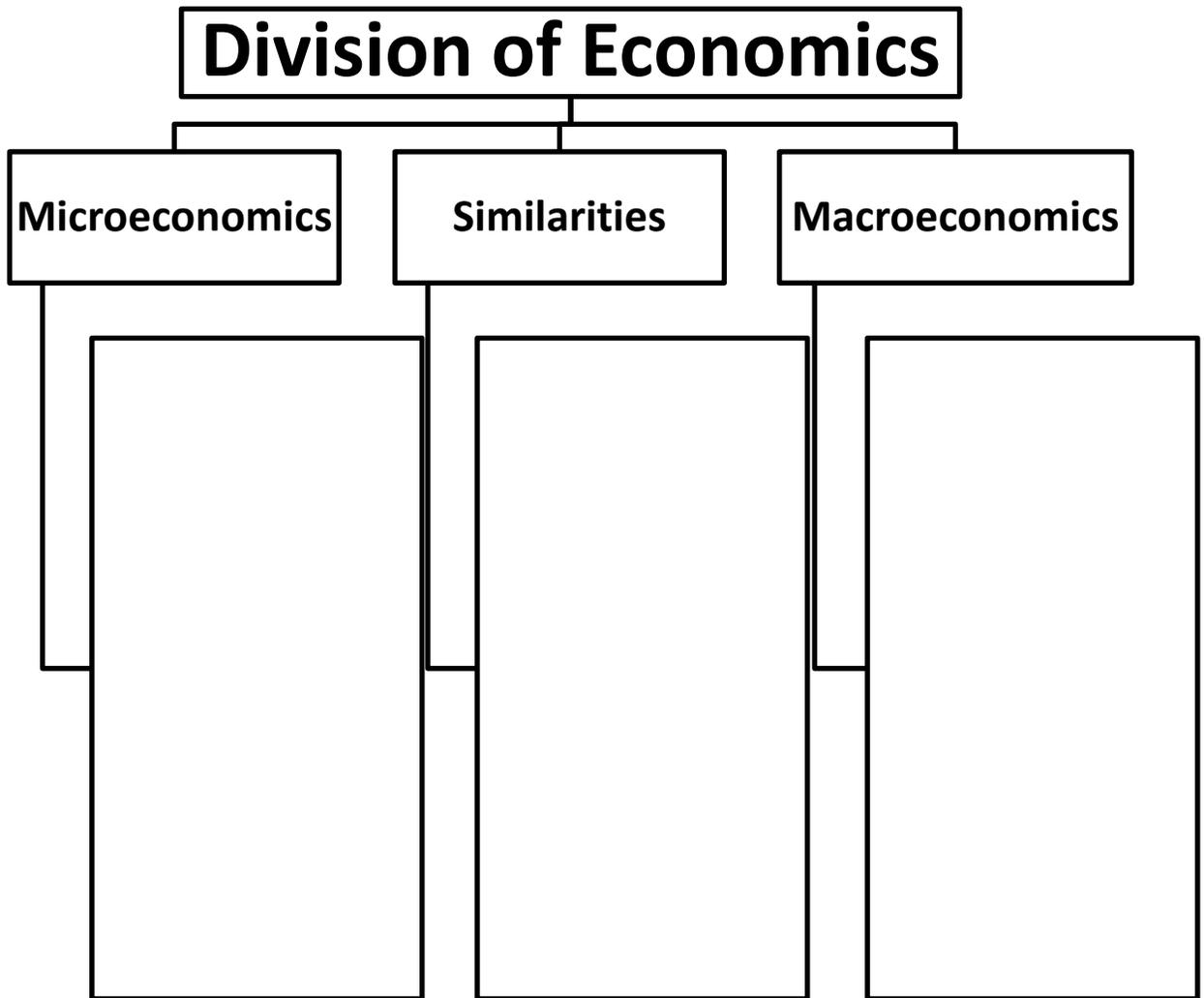
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## BRANCHES OF ECONOMICS

### ACTIVITY 2:

- ▶ Using a Venn Diagram Compare and Contrast MacroEconomics and MicroEconomics.



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## ECONOMIC METHOD

### ACTIVITY 3:

- ▶ Make a research about a socio-political or socio-economic problem in our country. Use the Economic Method as your guide. Use additional sheet if necessary.

**1. IDENTIFY THE PROBLEM.** (Describe the nature of the problem)

Problem: \_\_\_\_\_

Nature of the Problem: \_\_\_\_\_

\_\_\_\_\_

**2. GATHERING THE DATA AND INFORMATION.**

Data Gathering Tool/s and methods:

a. \_\_\_\_\_

b. \_\_\_\_\_

c. \_\_\_\_\_

**3. EVALUATING THE DATA AND FORMULATING THEORIES.**

Theory:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**4. EVALUATING STATISTICS OF DATA.**

Statistical Result

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**5. MAKING POLICY.**

a. \_\_\_\_\_

b. \_\_\_\_\_

**ECONOMICS AS A SOCIAL SCIENCE**

**ACTIVITY 4:**

► Encircle all the subjects related to Economics. Cite their relationship below.

P	H	I	S	T	O	R	Y	B	E	M	G
O	S	B	I	O	L	O	G	Y	T	A	E
L	S	O	C	I	O	L	O	G	Y	T	O
S	G	E	O	G	R	A	P	H	Y	H	G
C	C	H	E	M	I	S	T	R	Y	F	R
I	P	S	Y	C	H	O	L	O	G	Y	A
E	N	G	L	P	H	Y	S	I	C	S	P
S	E	T	H	I	C	S	F	I	L	I	H

SUBJECTS:	RELATIONSHIP TO ECONOMICS
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	



