

## **LECTURE ONE**

### **What is economy?**

Economy is a wide range of productive activities corresponding to a wide range of consumer activity, between which there is an exchange process (buying and selling) that helps in knowing the best way to employ the country's scarce resources.

The processes of production, consumption, and distribution of goods and services are managed with the aim of meeting the needs of those populations who live and work within the economy (economic system), a role critical to making the most of factors of production and resources.

### **What are the types of economics ?**

**-Market economy:** This type of economy allows people and companies to buy and sell goods and services with complete freedom, with supply and demand being the primary determinant of prices and the main catalyst for production. Since the producer owns what he manufactures, he is the one who decides his own prices, but in return the consumer also has the decision to purchase and the authority to determine the amount he wants to spend, but in the end both are subject to the laws of supply and demand that determine prices and the amount of total production.

**-Mixed economy:** However, pure "market economies" rarely exist as theories suggest, there is always some government intervention or central planning, and even the United States can be considered a mixed economy.

**-Command economy:** It is an economy in which the central government makes all economic decisions, the government owns the land and the means of production, and does not depend on the laws of supply and demand that operate in a market economy.

\* **An example** of this system is Belarus, where the government owns 80% of the country's companies and 75% of its banks. Also, after World War II, China established a communist society and established a centrally planned economic system, but things have changed now and Beijing is increasingly moving towards adopting market concepts, which are closer to a “relatively” mixed economy.

### **What are the branches of economics?**

Economics has two main branches: macroeconomics and microeconomics:

**-Total economy:** Macroeconomics is the aspect concerned with various general economic phenomena such as a country's GDP growth, inflation expectations and inflation itself, government spending, borrowing, fiscal policies, unemployment rates, and monetary policy.

**-Microeconomics:** Microeconomics refers to the basic components that make up the economy, which include the factors of production, land, labor, capital, organizational role, and entrepreneurship, and the three main sectors of the economy, agriculture, manufacturing, and services. In short, it means any sector, industry, or component of the larger economy.

**\*Microeconomics** studies daily life, including what citizens see and experience. It studies patterns of individual behavior, families, companies, and their policies. It deals with supply and demand behavior in different markets, consumer behavior, spending patterns, wage price behavior, and corporate policies.

### What is the impact of the economy on the government budget?

The state budget is affected by the size of the public debt, that is, the total payments owed by the state to creditors. Accumulating these debts means that the wealth produced by a country will not go to the benefit of its citizens, but rather to pay these debts. Therefore, the borrowing policy leads in the long run to impoverishment and dependency on states. Creditor.

**Activity:** Say whether the following sentences are **True** or **False**:

- 1/ There are 5 types of economy and each type has its advantages and disadvantages.
- 2/ The impact of the economy on the government budget is to allow people and companies to buy and sell goods and services with complete freedom, with supply and demand being the primary determinant of prices and the main catalyst for production.
- 3/ Microeconomics studies daily life, including what citizens see and experience. It studies patterns of individual behavior, families, companies, and their policies.
- 4/ Command economy rarely exists as theories suggest, there is always some government intervention or central planning.
- 5/ The state budget is affected by the size of the public debt, that is, the total payments owed by the state to creditors.