

## Introduction: Economics as a social science

Economics is a social science. Social science is the branch of science that studies society and the relationships of individuals within a society. Beside economics, psychology, sociology and political science are also social sciences, as are important elements of history and geography. Psychology studies the behaviour and mental processes of an *individual*. Sociology studies the *social* relationships between people in the context of *society*. By contrast, economics, as the name suggests, studies the *economic behaviour* of both individuals and groups of people and the *economic relationships* between individual and groups.

AS Economics, Ray Powell, Philip Allan, Updates, 2008.

1. Quote the different branches of social sciences.

Social sciences contain several branches:

- **psychology** focuses on .....
- **sociology** addresses .....
- **political science** deals with .....
- **history** is the study of .....
- **geography** is a field of science devoted to the study of.....

2. Find out some examples of *economic behaviour* and *economic relationships*.

3. Match each branch of social science to the correct example.

The presidential optimism about the economy affects economic behaviour and performance

Psychology

A consumer might buy more strawberries as their price falls

Sociology

The Stanley Milgram's electric – shock studies have shown the obedience to the authority

Political science

During their childhood boys are socialized in different way than girls

Economics

4. Compare economics to other social branch such as psychology and sociology.

## Step 1: The foundation of the economics.

### Part one of the audio

*« He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By... directing that industry in such a manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. »*

*« The ..... », 1....., Adam Smith.*

### Present the quote

1. Fill in the title of the Smith's famous book.
2. Introduce Adam Smith.

### **Homework for next course:**

- **Seek information about Adam Smith**
- **Furthermore, in order to prepare an interview, you should formulate both the questions, for instance: « *What was his nationality?* » and the answers: "*he is...*".**

### Exercises

- Both of you who will be chosen at random will carry out an interview in order to present A Smith.
- Based both on the audio and the oral presentation, each pupil will write down a short paragraph introducing Adam Smith.

### **From research on Adam Smith**

1. Two pupils carry out an interview (5 min)
2. Based on the oral presentation write down a short paragraph (roughly 10 lines) introducing Adam Smith. (15 min)

### Understand the quote

1. Identify misunderstood words
2. Who is « he » (line 1)?
3. Explain what is the « public interest » (line 2)? Conversely, what is the « own interest » (line 6)?  
The public interest is the interest for the ..... society: to protect people, while the « own interest » is the .....interest: looking for maximum gain for the producer, or maximum satisfaction for the consumer.  
The self-interested action could be more ....., more (better) ....., more ....., more .....
4. What is meant by « invisible hand » (line 4)?  
That is a famous expression. It means that the .....of the individual interests leads by a « ..... way » (invisible hand) to the ..... interest;
5. In your own words, explain the underlined sentence.  
By his self-interested action the individual or the economic actor does ..... for the whole society than he had ..... the best for the whole society.

## Step 2: The modern economics

### Part two of the audio

#### The two economics schools

1. What are the 2 schools in which the modern economics is divided?

The modern economics is divided in 2 main schools:

- **Microeconomics** -> micro refers to

- **Macroeconomics** -> macro means

The difference between the two could be summarized as concerning .....

2. Match one of the two schools of economics to the appropriate example

Pears prices have risen in spring

Most of countries have recorded  
a low inflation rate over the last decade

**Microeconomics**

The French growth rate  
has slightly increased this year

Through fiscal policy government decides to lower taxes

Workers would supply less labour force  
when employers reduce the cost of extra hours

**Macroeconomics**

Economists find out the roots of inequalities  
in the developed countries

3. Fill in the table below:

	Microeconomics	Macroeconomics
Definition	<b>Microeconomics</b> studies the..... actions, in more details, how actors make decisions. In this case actors could be firms or....., consumers or.....	<b>Macroeconomics</b> studies what happens in the ..... economy (millions actors) or examines economy as a whole: a bigger, larger pictures than in microeconomics. Often it focuses on Policy i.e. some action led by the ..... in order to fight some concerns such as ..... or.....
Examples of issues	<ul style="list-style-type: none"><li>- <u>Apple</u> is concerned on how many ..... 6 should be exported to South Africa.</li><li>- How does the <u>oil price</u> affect ..... ?</li><li>- What will happen if a <u>company</u> raises wages for its most productive ..... but <b>fires</b> its least productive workers?</li><li>- What are the effects of <b>low interest rates</b> on ..... borrowers?</li></ul>	<ul style="list-style-type: none"><li>- Does the <u>government</u> have to ..... or ..... taxes? Does it have to regulate or deregulate the <u>economy</u>?</li><li>- What is impact of the general increase in prices i.e. .... on an economy?</li><li>- <b>Unemployment</b> has been a major economic ..... /..... in <u>advanced economies</u>.</li><li>-What are the effects of <b>low interest rates</b> on the national <u>housing</u> ..... or the <u>unemployment rate</u>.</li></ul>

Whilst they differ in terms of the level of analysis, both micro- and macroeconomics are seeking to answer questions about people 's decisions regarding how much of which goods and services to produce and consume.

## The using of math.

1. From an example explain how economics uses math.
2. Why using math in economics is both very valuable and dangerous?

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### Conclusion:

Economics is like to be a science because economists use an empirical or *scientific* ..... to solve problems. However, it is different from physics because it is opened to ..... around its assumptions.

### Sum up

#### 1. Be aware with the word « economics » which is very close to other words:

***Economics, economic, economy, economist.***

Fill in the definition and match the word to the right definition:

An ..... in economics who studies economic issues

Economic

The study of the production, the consumption and transfer of .....

Economy

Relating to the economy of a country or a .....

Economics

..... of a country or region in terms of production, consumption and ..... money

Economist

#### 2. Complete the **definition of economics**:

Considered as one of the ..... sciences, economics is a branch of knowledge which deals with the ....., distribution, ....., and transfer of .....

More specifically, it addresses to human choice of ..... resources considering the unlimited.....

Economics is made up of two main approaches: microeconomics studies individual ..... making choices and decisions whereas macroeconomics examines economy as a .....