

University of Mujahid Abdelhafid Boussouf – Mila

Faculty of Economics, Commercial & Management Sciences

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Lectures On : English economic terminology

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Introduction to Economic Language, Basic economic concepts & micro vs. macroeconomics

Introduction to Economic Language

Economic language is essential for understanding how economies function. It provides the tools needed to analyze problems, interpret data, and make informed decisions in both academic and real-world contexts.

1. Definition of Economic Language

Economic language refers to the set of terms, concepts, and expressions used in economics to describe economic activities, relationships, and phenomena. It helps economists, students, and policymakers communicate ideas clearly and precisely.

2. Importance of Economic Language

Economic language is important because:

- ✓ It provides clarity and precision in discussing economic issues ;
- ✓ It allows analysis and interpretation of economic data ;
- ✓ It facilitates communication between economists worldwide ;
- ✓ It helps in decision-making for governments and businesses.

3. Basic Economic Terms

- **Scarcity:** Scarcity means that resources are limited while human wants are unlimited.
- **Choice :** Because of scarcity, individuals and societies must make choices about how to use resources.
- **Opportunity Cost:** The value of the next best alternative that is given up when making a decision.
- **Supply and Demand:**
 - ✓ **Supply:** Quantity of goods producers are willing to sell.
 - ✓ **Demand:** Quantity consumers are willing to buy.
- **Market:** A place or system where buyers and sellers interact to exchange goods and services.

4. Types of Economic Language

a. Positive Economic Language

- Describes facts and reality ;
- Can be tested and verified ;
- Example: *“Unemployment rate is 10%.”*

b. Normative Economic Language

- Expresses opinions or judgments ;
- Cannot be tested objectively ;
- Example: *“The government should reduce taxes.”*

5. Features of Economic Language

- ✓ Technical vocabulary (e.g., elasticity, equilibrium) ;
- ✓ Use of graphs and models ;
- ✓ Use of data and statistics ;
- ✓ Logical and analytical structure.

6. Examples of Economic Expressions

- ✓ Market equilibrium occurs when supply equals demand.
- ✓ An increase in demand leads to higher prices.
- ✓ Fiscal policy affects aggregate demand.

Basic economic concepts & micro vs. macroeconomics

Definition of Economics

1- Economics is the science of wealth:

In his book *The Wealth of Nations* (1776), he explained that economics studies the nature and causes of the wealth of nations—that is, how wealth is produced, accumulated, and distributed.

2- Economics is the science of exchange:

This definition is commonly associated with the French economist Jean-Baptiste Say, who emphasized that economics studies the production, distribution, and especially the exchange of wealth.

- This definition emerged at the end of the 19th century and the beginning of the 20th century ;
- It reflects an intellectual trend that links economics to the concept of exchange ;
- Exchange presupposes the existence of at least two parties, whereby one party gives up what they possess to another in return for what they desire ;
- Some economists have considered money to be one of the parties involved in the exchange process.

3- Economics is the Science of Scarcity:

Gustav Cassel and Dobbins define economics as the science that studies human behavior as a relationship between multiple ends, which vary in relative importance, and limited means that have alternative uses.

According to this definition, economics focuses on the fundamental aspects of the economic problem. That is, economics only intervenes where resources are scarce relative to human wants.

Therefore, economics is the science of allocating means to satisfy needs and is fundamentally based on the process of choice.

In summary, economics can be defined as follows:

Economics is the social science that studies how individuals, societies and governments allocate scarce resources to satisfy unlimited wants.

Branches of Economics

Economics is generally divided into two main branches:

1. **Microeconomics:** Focuses on individual consumers, businesses, and market mechanisms that determine prices and output levels.
2. **Macroeconomics:** Examines the economy as a whole, including issues such as inflation, unemployment, and economic growth.

Key Differences Between Microeconomics and Macroeconomics

Aspect	Microeconomics	Macroeconomics
Scope	Individual units	Entire economy
Focus	Consumers, firms, markets	National/global economy
Main Concern	Prices and quantities	Growth, inflation, unemployment
Approach	Detailed (small scale)	General (large scale)

The Relationship of Economics to Other Sciences:

Economics is a social science that studies how individuals and societies allocate scarce resources to satisfy unlimited needs. Because human behavior is complex and multidimensional, economics is closely related to many other sciences.

1. Economics and Political Science

Economics and political science are strongly connected because economic policies are made through political processes. Government decisions on taxation, public spending, trade, and regulation directly affect economic performance. For example, the ideas of John Maynard Keynes influenced government intervention policies, while Adam Smith emphasized limited government and free markets. Political stability also affects economic growth and investment.

2. Economics and Sociology

Sociology studies social relationships, institutions, and behavior. Economic activities such as consumption, saving, and labor participation are influenced by social norms, culture, and family structures. Issues like poverty, inequality, and unemployment require both economic and sociological analysis.

3. Economics and Psychology

This relationship has led to the development of behavioral economics, which combines economic theory with psychological insights to understand decision-making. The work of Daniel Kahneman and Richard Thaler shows that individuals do not always act rationally, as traditional economic theory assumes.

4. Economics and History

Economic history helps economists understand how past events shape present economic systems. For example, the Industrial Revolution transformed production methods and economic structures. Studying historical data helps explain long-term growth and development patterns.

5. Economics and Mathematics

Mathematics provides tools for modeling economic relationships and analyzing data. Concepts like optimization, statistics, and econometrics are essential for modern economic research.

6. Economics and Geography

Economic geography studies how location, natural resources, climate, and transportation affect economic activities. For example, trade patterns and industrial concentration depend heavily on geographic factors.

7. Economics and Law

Law establishes the framework within which economic activities occur. Property rights, contracts, and regulations influence market efficiency and competition.

Conclusion

Economics is interconnected with many sciences because economic problems involve political decisions, social behavior, psychological factors, historical development, legal systems, and mathematical analysis. Therefore, economics cannot be studied in isolation; it requires an interdisciplinary approach to fully understand and solve real-world problems.

Basic Economic Problems

The basic economic problems arise because resources are **limited (scarcity)** while human wants are **unlimited**. Every society—whether capitalist, socialist, or mixed—must answer three fundamental questions :

1. **What to produce?** – Deciding which goods and services should be produced.
2. **How to produce?** – Determining the best way to use resources efficiently.
3. **For whom to produce?** – Deciding who will receive and benefit from the goods and services.

Economic Systems

An **economic system** is the way a society organizes the production, distribution, and consumption of goods and services. It determines how the basic economic problems — **what to produce, how to produce, and for whom to produce** — are solved.

There are four main types of economic systems:

1. Capitalist (Market) Economy

In a capitalist system:

- Private individuals own the means of production ;
- Prices are determined by supply and demand ;
- Profit is the main motive ;
- Government intervention is limited.

The ideas of Adam Smith strongly influenced this system. He argued that the “invisible hand” of the market guides economic activity efficiently.

Examples: United States, United Kingdom,,,

Advantages:

- Economic freedom ;
- Efficiency and innovation ;
- Wide variety of goods.

Disadvantages:

- Income inequality ;
- Risk of unemployment ;
- Economic instability.

2. Socialist (Planned) Economy

In a socialist system:

- The government owns the means of production ;
- Economic decisions are centrally planned ;
- The main goal is social welfare rather than profit .

This system is associated with the ideas of Karl Marx.

Examples: Cuba, North Korea,,,

Advantages:

- Reduced income inequality ;
- Focus on social welfare ;
- Full employment policies.

Disadvantages:

- Lack of incentives ;
- Inefficiency ;
- Limited consumer choice.

3. Mixed Economy

A mixed economy combines elements of both capitalism and socialism:

- Private ownership exists alongside government intervention ;
- The government regulates markets and provides public services.

Most modern economies today are mixed economies.

Examples: France, Germany

Advantages:

- Balanced economic growth ;
- Social protection ;
- Market efficiency with regulation.

Disadvantages:

- Possible government inefficiency
- High public spending.

4. Traditional Economy

In a traditional system:

- Customs, traditions, and beliefs guide economic decisions ;

- Production is mainly for subsistence ;
- Technology is often limited.

This system is common in rural or less developed regions.

An economic system determines how a country manages its resources and organizes economic activity. While pure capitalist or socialist systems rarely exist today, most countries adopt a **mixed economic system** that balances market freedom with government regulation.

An example of using the vocabulary of the word "economics":

(Economics) >> Islamic **economics** – Science of **Economics** .

(Economy) >> Algerian **economy** – American **economy** .

(Economic) >> **Economic** study – **Economic** problem.

(Economical) >> **Economical** budget – **Economical** car.

(Economist) >> Adam Smith is a well-known **economist**.

Key Terms in Economics

Here are some essential terms commonly used in economics:

English	العربية	English	العربية
Scarcity	الندرة	Gross Domestic Product (GDP)	الناتج المحلي الإجمالي
Opportunity Cost	تكلفة الفرصة البديلة	Microeconomics	الاقتصاد الجزئي
Supply	العرض	Macroeconomics	الاقتصاد الكلي
Demand	الطلب	Utility	المنفعة
Market	السوق	Production	الإنتاج
Equilibrium	التوازن	Capital	رأس المال
Inflation	التضخم	Labor	العمل
Capitalism	الرأسمالية	Entrepreneurship	ريادة الأعمال
Socialism	الاشتراكية	Competition	المنافسة
Central bank	البنك المركزي	Competitive advantage	الميزة التنافسية
Expenditure	انفاق	Income	دخل/ ايراد
Trade	تجارة	Wage	الأجر
Wealth	الثروة	Budget	الميزانية
Currency	العملة	Debt	دين
Digital economy	الاقتصاد الرقمي	Economic growth	النمو الاقتصادي
Exports	الصادرات	Imports	الواردات
Cost	التكلفة	Money	النقود
Interest rate	معدل الفائدة	Investment	الاستثمار
Consumption	الاستهلاك	Value added	القيمة المضافة
Insurance	تأمين	Tax	ضريبة
Deal	صفقة	Monetary system	النظام النقدي
Loan	قرض	Corruption	فساد

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