

Economics focuses on the behaviour and interactions of economic agents and how economies work. Microeconomics analyzes what's viewed as basic elements in the economy, including individual agents and markets, their interactions, and the outcomes of interactions. Individual agents may include, for example, households, firms, buyers, and sellers. Macroeconomics analyzes the economy as a system where production, consumption, saving, and investment interact, and factors affecting it: employment of the resources of labour, capital, and land, currency inflation, economic growth, and public policies that have impact on these elements.

Other broad distinctions within economics include those between positive economics, describing "what is", and normative economics, advocating "what ought to be"; between economic theory and applied economics; between rational and behavioural economics; and between mainstream economics and heterodox economics.

The earlier term for the discipline was 'political economy', but since the late 19th century, it has commonly been called 'economics'.^[20] The term is derived from the Ancient Greek οἰκονομικός (oikonomikos), "practiced in the management of a household or family" and therefore "frugal, thrifty", which in turn comes from οἰκονομία (oikonomia) "household management" which in turn comes from οἶκος (oikos "house") and νόμος (nomos, "custom" or "law").^{[21][22][23][24]}

There are a variety of modern definitions of economics; some reflect evolving views of the subject or different views among economists.^{[25][26]} Scottish philosopher Adam Smith (1776) defined what was then called political economy as "an inquiry into the nature and causes of the wealth of nations", in particular as:

a branch of the science of a statesman or legislator [with the twofold objectives of providing] a plentiful revenue or subsistence for the people ... [and] to supply the state or commonwealth with a revenue for the publick services.^[27]

Jean-Baptiste Say (1803), distinguishing the subject from its public-policy uses, defined it as the science of production, distribution, and consumption of wealth.^[28] On the satirical side, Thomas Carlyle (1849) coined "the dismal science" as an epithet for classical economics, in this context, commonly linked to the pessimistic analysis of Malthus (1798).^[29] John Stuart Mill (1844) defined the subject in a social context as:

The science which traces the laws of such of the phenomena of society as arise from the combined operations of mankind for the production of wealth, in so far as those phenomena are not modified by the pursuit of any other object.^[30]

Alfred Marshall provided a still widely cited definition in his textbook *Principles of Economics* (1890) that extended analysis beyond wealth and from the societal to the microeconomic level:

Economics is a study of man in the ordinary business of life. It enquires how he gets his income and how he uses it. Thus, it is on the one side, the study of wealth and on the other and more important side, a part of the study of man.^[31]

Lionel Robbins (1932) developed implications of what has been termed "[p]erhaps the most commonly accepted current definition of the subject":[26]

Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.[32]

Robbins described the definition as not classificatory in "pick[ing] out certain kinds of behaviour" but rather analytical in "focus[ing] attention on a particular aspect of behaviour, the form imposed by the influence of scarcity." [33] He affirmed that previous economists have usually centred their studies on the analysis of wealth: how wealth is created (production), distributed, and consumed; and how wealth can grow.[34] But he said that economics can be used to study other things, such as war, that are outside its usual focus. This is because war has as the goal winning it (as a sought after end), generates both cost and benefits; and, resources (human life and other costs) are used to attain the goal. If the war is not winnable or if the expected costs outweigh the benefits, the deciding actors (assuming they are rational) may never go to war (a decision) but rather explore other alternatives. We cannot define economics as the science that studies wealth, war, crime, education, and any other field economic analysis can be applied to; but, as the science that studies a particular common aspect of each of those subjects (they all use scarce resources to attain a sought after end).

Some subsequent comments criticized the definition as overly broad in failing to limit its subject matter to analysis of markets. From the 1960s, however, such comments abated as the economic theory of maximizing behaviour and rational-choice modelling expanded the domain of the subject to areas previously treated in other fields.[35] There are other criticisms as well, such as in scarcity not accounting for the macroeconomics of high unemployment.[36]

Gary Becker, a contributor to the expansion of economics into new areas, described the approach he favoured as "combin[ing the] assumptions of maximizing behaviour, stable preferences, and market equilibrium, used relentlessly and unflinchingly." [37] One commentary characterizes the remark as making economics an approach rather than a subject matter but with great specificity as to the "choice process and the type of social interaction that [such] analysis involves." The same source reviews a range of definitions included in principles of economics textbooks and concludes that the lack of agreement need not affect the subject-matter that the texts treat. Among economists more generally, it argues that a particular definition presented may reflect the direction toward which the author believes economics is evolving, or should evolve.[26]

According to economist Ha-Joon Chang economics should be defined not in terms of its methodology or theoretical approach but in terms of its subject matter. Ha-Joon Chang finds a definition like "the science which studies human behavior as a relationship between ends and scarce means which have alternative uses" very peculiar because all other sciences define themselves in terms of the area of inquiry or object of inquiry rather than the methodology. In the biology department, they don't say that all biology should be studied with DNA analysis. People study living organisms in many different ways, so some people will do DNA analysis, others might do anatomy, and still others might build game theoretic models of animal behavior. But they are all called biology because they all study living organisms. According to Ha Joon

Chang, this view that you can and should study the economy in only one way (for example by studying only rational choices), and going even one step further and basically redefining economics as a theory of everything, is very peculiar.[38]

Referenced from Wikipedia.