

What is Economics?

Economics is concerned with identifying and clarifying the range of choices individuals face now and in the future due to scarce resources. Economics is often thought of as “too theoretical” to be useful in everyday life. This is not true, however, because each day everyone thinks like an economist without knowing so.

Directions: The excerpt below is written by economics professor Steven Landsburg, who clarifies how daily choices are related to the study of economics. Read the passage below, and then answer the questions that follow.

Economics is about facing difficult choices: earning income versus enjoying leisure, splurging today versus saving for tomorrow; developing new skills versus exploiting the skills you’ve got; searching for the perfect job (or the perfect marriage partner) versus settling for the one that’s available...

One of the greatest lessons of economics is that there is no single best way to resolve such choices; everything depends on circumstances; what’s right for you can be wrong for your neighbor. Economics is the science of tolerance. Good economics professors teach their students that people can live very differently than you do without being either foolish or evil...

Economics breeds not just tolerance but compassion. The economist’s method is to observe behavior closely, the better to understand other people’s goals and other people’s difficulties. That kind of understanding is the basis of all compassion...

Economics is about more than just individual choices. It’s also about social choices: rewarding initiative versus promoting equality; preserving freedom versus preserving order; providing opportunities for the masses versus providing a safety net for the less fortunate. In other words, we want to ask what is right? What is just? What is fair? My daughter is keenly interested in the same questions, more concretely posed: Is her allowance an entitlement or a reward for a clean room? Should she be free to ignore her parents’ advice and wear a summer jacket on a winter day? Should she and her friends choose a video that most of them love or a video that none of them hates? Every time a child cries “That’s not fair”, a parent is forced to confront some issue of economic justice.

Source: Fair Play: What Your Child Can Teach You About Economics, Values, and the Meaning of Life by Steven E. Landsburg. New York: The Free Press, 1997.

Questions:

1. What is Professor Landsburg’ definition of economics?
2. Landsburg claims, “economics is about more than just individual choices. It’s also about social choices.” What are two specific examples of social choices that Landsburg identifies?
3. What are a couple of economic choices that you have recently made?