ECONOMICS AS AN INTERDISCIPLINARY AREA

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ABSTRACT: The management of society’s resources is important because resources are scarce. Scarcity means that society has limited resources and therefore cannot produce all the goods and services people wish to have. Just as a household cannot give every member everything he or she wants, a society cannot give every individual the highest standard of living to which he or she might aspire. Economics is the study of how society manages its scarce resources. In most societies, resources are allocated not by a single central planner but through the combined actions of millions of households and firms.

KEY WORDS: Economics, Management Process, Interdisciplinary Area.

I. INTRODUCTION

The management of society’s resources is important because resources are scarce. Scarcity means that society has limited resources and therefore cannot produce all the goods and services people wish to have. Just as a household cannot give every member everything he or she wants, a society cannot give every individual the highest standard of living to which he or she might aspire. Economics is the study of how society manages its scarce resources. In most societies, resources are allocated not by a single central planner but through the combined actions of millions of households and firms. Economists therefore study how people make decisions: how much they work, what they buy, how much they save, and how they invest their savings. Economists also study how people interact with one another [7]. For instance, they examine how the multitude of buyers and sellers of a good together determine the price at which the good is sold and the quantity that is sold. Finally, economists analyze forces and trends that affect the economy as a whole, including the growth in average income, the fraction of the population that cannot find work, and the rate at which prices are rising. Although the study of economics has many facets, the field is unified by several central ideas. In the rest of this chapter, we look at Ten Principles of Economics. These principles recur throughout this book and are introduced here to give you an overview of what economics is all about. You can think of this chapter as a “preview of coming attractions [11].

Economics, or political economy, may be defined, briefly, as the study of men earning a living, or, more fully, as the study of the material world and of the activities and mutual relations of men so far as all these are the objective conditions to gratifying desires. To define, means to mark off the limits of a subject, to tell what questions are or are not included within it. The ideas of most persons on this subject are vague, yet it would be very desirable if the student could approach this study with an exact understanding of the nature of the questions with which it deals. Until a subject has been studied, however, a definition in mere words cannot greatly aid in marking it off clearly in our thought. The essential thing for the student is to see clearly the central purpose of the study.

A definition that suggests clear and familiar thoughts to the student seems at first much more difficult to get in any social science than in the natural sciences [2]. These deal with concrete, material things which we are accustomed to see, handle, and measure. If a mere child is told that botany is a study in which he may learn about flowers, trees, and plants, the answer is fairly satisfying, for he at once thinks of many things of that kind. When, in like manner zoology is defined as the study of animals, or geology as the study of rocks and the earth, the words call up memories of many familiar objects. Even so difficult and foreign-looking a word as ichthyology seems to be made clear by the statement that it is the name of the study in which one learns about fish. It is true that there may be some misunderstanding as to the way in which these subjects are studied, for botany is not in the main to teach how to cultivate plants in the garden, nor ichthyology how to catch fish or to propagate them in a pond. But the main purpose of these studies is clear at the outset from these simple definitions. Indeed, as the study is pursued, and knowledge widens to take in the manifold and various forms of life, the boundaries of the special sciences become not more but less sharp and definite [13].
Political economy, on the other hand, as one of the social sciences, which deal with men and their relations in society, seems to be a very much more complex thought to get hold of. The author is a tempted to say that it deals with less familiar things; but the truth may be, as a thoughtful friend suggests, that the simple social acts and relations are more familiar to our thought than are lions, palm-trees, or even horses. Every hour in the streets or stores, one may witness thousands of acts, such as bargains, labor, payments, that are the subject-matter of economic science. Their very familiarity may cause men to overlook their deeper meaning. Many other definitions have been given of political economy [9]. It has been called the science of wealth, or the science of exchanges. Evidently there are various ways in which wealth may be considered or exchanges made. The particular aspects that are dealt with in political economy will be made clear by considering two other questions, the place of economics among the social sciences and the relation of economics to practical affairs.

Place of Economics among the Social Sciences

1. Political economy, as one of the social sciences, may be contrasted with the natural sciences, which deal with material things and their mutual relations, while it deals with one aspect of men’s life in society, namely, the earning of a living, or the use of wealth. It is true that political economy also has to do with plants and animals and the earth—in fact, with all of those things which are the subject-matter of the natural sciences; but it has to do with them only in so far as they are related to man’s welfare and affect his estimate of the value of things; only in so far as they are related to the one central subject of economic interest, the earning of a living.

2. The social sciences deal with men and their relations with each other. The word “social” comes from the Latin socialis, meaning a fellow, comrade, and companion, associate. As men living together have to do with each other in a great many different ways, and enter into a great many different relations, there arise a great many different social problems. Each of the social sciences attempts to study man in some one important aspect that is, to view these relations from someone standpoint. Man’s acts, his life, and his motives are so complex that it is not surprising that there has been less definiteness in the thought of the social sciences, and that they have advanced less rapidly toward exactness in their conclusions, than have the natural sciences. The thought is more abstract than in natural science; it requires a different, the author will not say higher, kind of ability than does mathematics. But little by little the strangeness of the language and ideas disappears; the bare definitions become clothed with the facts of observation and recalled experiences; and soon the “economic” acts and relations of men in society come to be as real and as interesting to the student as are the materials in the natural world about him often, indeed, more interesting.

3. Political economy is related to all the other social sciences, it being the study of certain of men’s relations, while politics, law, and ethics have to do with other relations or with relations under a different aspect. Politics treats of the form and working of government and is mainly concerned with the question of power or control of the individual’s actions and liberty. Law treats of the precepts and regulations in accordance with which the actions of men are limited by the state, and the contracts into which they have seen fit to enter are interpreted. Ethics treats the question of right or wrong, studies the moral aspects of men’s acts and relations. The attempt just made to distinguish between the fields occupied by the various social sciences betrays at once the fundamental unity existing among them. The acts of men are closely related in their lives, but they may be looked at from different sides. The central thought in economics is the business relation, the relation of men in exchanging their services or material wealth. In pursuing economic inquiries we come into contact with political, legal, and ethical considerations, all of which must be recognized before a final practical answer can be given to any question. Nevertheless the province of economics is limited. It is because of the feebleness of our mental power that we divide and subdivide these complex questions and try to answer certain parts before we seek to answer the whole. When we attempt this final and more difficult task, we should rise to the standpoint of the social philosopher.

The relation of Economics to practical affairs. The ideal of political economy here set forth is that it should be a science, a search for truth, a systematized body of knowledge, arriving at a statement of the laws to which economic actions conform [1]. It is not the advocacy of any particular policy or idea, but if it arrives at any conclusions, any truths, these cannot fail to affect the practical action of men. Political economy, because defined as the science of wealth, has been described by some as a gospel of Mammon. It is hardly necessary to refute such a misconception. Political economy is not the science of wealth-getting for the individual. Its study is not primarily for the selfish ends and interest of the individual. Certainly some of its lessons may be of practical value to men in active business, for many economic “principles” are but the general statement of those ideas that have been approved by the experience of business men, of statesmen, and of the masses of men. Some of its lessons must have educational value in practical business, for political economy is not dreamed out by the closet philosopher, but more and more it is the attempt to describe the interests and the action of the practical world in which men must live [6]. Many men are working together to develop its study those who collect statistics and facts bearing on all kinds of practical affairs, and those who search through the records of the past for illustrations of
experiments and experiences that may help us in our life to-day. But, in the main, the study of political economy is a social study for social ends and not a selfish study for individual advantage. The name political economy was first suggested in France when the government was monarchical and despotic in the extreme.

As domestic economy indicates a set of rules or principles to guide wisely the action of the housekeeper or the owner of an estate, so political economy was first thought of as a set of rules or principles to guide the king and his counselors in the control of the state. The term has continued to bear something of that suggestion in it, though of late the term “economics,” as being broader and less likely to be confused with politics, has very generally come into use. But in the degree in which unlimited monarchy has given way to the rule of the people, the conception of political economy has been modified [10]. In a democracy there is need for a general diffusion of knowledge. The power now rests not with the king and a few counselors, but in the last resort with the people, and therefore the people must be acquainted with the experience of the past, must have all possible systematic knowledge to enlighten public policy and to guide legislation.

Moreover, with the growth of the modern state, with the increasing importance of business, and of industrial and commercial interests, as compared with changes of dynasty or the personal rivalries of rulers, economic questions have grown in relative importance. In our own country, particularly since the subjects of slavery and of States’ rights ceased to absorb the attention of our people, economic questions have pushed rapidly into the foreground. Indeed, it has-of late been more clearly seen that many of the older political questions. The remarkable increase in the attention given to this study in colleges and universities in the last twenty years is but the index of the greatly increased interest and attention felt in it by citizens generally. To sum up, it may be said that in the study of political economy we are seeking the reason, connection, and relations in the great multitude of acts arising out of the dependence of desires on the world of things and men [12].

The primary principles of economic growth: The economic growth and development have been debated for centuries. Industrialization had brought forth permanent changes in the economic and human activity. After the Depression of the 1929-1933 span, the importance of these processes increases. Overcoming any economic difficulties, whether we speak about the decreasing of the unemployment rate or about the external equilibrium, a correlation was made with the economic growth and development. Any decision made at a state or supra-state level aimed at reaching these two objectives. Today, more than anytime, in a recessionary, liberalized economy, in a world marked by a strong demographic increase, by the depletion of natural resources, by changes of climate and of ecosystem destruction, we are more preoccupied than ever by the problems of economic growth and development. Hereinafter will make, an epistemological analysis of these two processes. Though no unanimously accepted definition has been forgotten by now, most of the theoreticians think of the economic development as a process that generates economic and social, quantitative and, particularly, qualitative changes, which causes the national economy to cumulatively and durably increase its real national product [19].

In contrast and compared to development, economic growth is, in a limited sense, an increase of the national income per capita, and it involves the analysis, especially in quantitative terms, of this process, with a focus on the functional relations between the endogenous variables; in a wider sense, it involves the increase of the GDP, GNP and GNI, therefore of the national wealth, including the production capacity, expressed in both absolute and relative size, per capita, encompassing also the structural modifications of economy. We could therefore estimate that economic growth is the process of increasing the sizes of national economies, the macro-economic indications, especially the GDP per capita, in an ascendant but not necessarily linear direction, with positive effects on the economic-social sector, while development shows us how growth impacts on the society by increasing the standard of life. Typologically, in one sense and in the other, economic growth can be: positive, zero, negative. Positive economic growth is recorded when the annual average rhythms of the macro-indicators are higher than the average rhythms of growth of the population. When the annual average rhythms of growth of the macro-economic indicators, particularly GDP, are equal to those of the population growth, we can speak of zero economic growth. Negative economic growth appears when the rhythms of population growth are higher than those of the macro-economic indicators [7].

Economic Growth is a complex, long-run phenomenon, subjected to constraints like: excessive rise of population, limited resources, inadequate infrastructure, inefficient utilization of resources, excessive governmental intervention, institutional and cultural models that make the increase difficult, etc.

Economic Growth is obtained by an efficient use of the available resources and by increasing the capacity of production of a country. It facilitates the redistribution of incomes between population and society. The cumulative effects, the small differences of the increase rates, become big for periods of one decade or more.
It is easier to redistribute the income in a dynamic, growing society, than in a static one. There are situations when economic growth is confounded with economic fluctuations. The application of expansionist monetary and tax policies could lead to the elimination of recessionary gaps and to increasing the GDP beyond its potential level.

**Economic Growth** supposes the modification of the potential output, due to the modification of the offer of factors (labour and capital) or of the increase of the productivity of factors (output per input unit). When the rate of economic growth is big, the production of goods and services rises and, consequently, unemployment rate decreases, the number of job opportunities rises, as well as the population’s standard of life [20]. Some economists state that a rate of the GDP growth of 3% a year allows a rise of the potential GDP with 10% in three years and a doubling in 23 years. According to the “rule of 70”, a rate of growth of 1% doubles the potential GDP over a period of seventy years. Other economists think that if the rate of growth of the real GDP per capita were maintained at 2% a year, then the GDP per capita would double every 35 years and, therefore, each generation could hope for a better standard of life than in the present. For these reasons, we should take into consideration the fact that the small differences in the rate of economic growth over long periods lead to big differences between the standard of life of the different successive generations. The economic growth is also the process that allows the receding of phenomena with a negative economic and social impact, like unemployment or inflation. But, obviously, a durable economic growth sustains human development [9].

According to Antebi [3], Economic Growth is a process of quantitative, qualitative and structural changes, with a positive impact on economy and on the population’s standard of life, whose tendency follows a continuously ascendant trajectory. Leszek Balcerowicz thinks that the economic development has four dimensions:

- The initial level of development (reflected, for instance, by the income per capita) or the level existing when the rhythm of development starts being determined;
- The human capital or the people’s level of education and professional training;
- The internal economic condition or the economy’s structures;
- The external economic circumstances;

The last three factors should be related to the period for which the rhythm of economic development is determined, which, in its turn, is the result of different interactions between the four groups of factors. The initial level of development is essential for the subsequent rhythm of development. Staying behind involves certain impulses of acceleration the countries with a lower rhythm of development can reach a faster one compared to the richer countries because a state not keeping pace can us at an institutional and technological level the solutions that the developed countries have already found and could learn from their mistakes, an aspect that Antebi more important than the former one [3].

The developing countries have an out-of-date economic structure, most of the population working in fields of low productivity, especially in agriculture, but there are possibilities to transfer resources towards more productive domains. The third factor is characteristic to formerly socialist countries and refers to the disproportion between the relatively high level of education of the population and the possibilities to exploit this training. The high level of education represents an advantage for the countries that joined the economic development trend [8].

It is also worth pointing out that between economic growth and economic development there are similarities and differences. Similarities refer to the fact that:

- Growth and development are continuous processes, with stimulating effects in economy;
- Both processes involve the allotment and utilization of resources and the increase of efficiency;
- The finality of growth and development is the improvement of the standard and quality of life;
- Growth and development are cause and result of the general trend, influencing its rhythm and ensuring passages from one level to the other.

The differences between economic growth and development refer to the fact that, while economic growth concerns the quantitative side of economic activity (the increase of results, of quantities, of sizes), development has a larger scope, including qualitative changes that take place in economy and society. In fact, development is a qualitatively higher step of macro-economic evolution. We often refer to growth theories when we speak about the developed countries and to the theories of development when we approach the economic problems that are specific to the developing or less developed countries [14].
REFERENCES


