3.6 AN ALTERNATIVE APPROACH TO DEFINING ECONOMICS

LEARNING OBJECTIVES

By the end of this section, you will be able to:

- Describe an alternative definition of economics.
- Understand the basis for framing an alternative definition of economics.

The preceding presentation centered on deconstructing and then challenging the orthodox definition of economics. Of central concern throughout is the way in which the orthodox definition of economics potentially handcuffs the economist into viewing economic activity through a very narrow and specific lens. Given the problems associated with the orthodox definition of economics, a concerned student may be apt to ask, what does an alternative definition of economics look like? The answer to this question is that there are many possible alternative definitional variations.

The structure of an alternative definition of economics can take many forms, although the overall essence of alternative definitions is frequently similar. With regard to structure, some alternative definitions are apt to simplify economic activity to its most basic form. For example, economics can be the study of how human beings must work together, and with nature, to produce those things that fulfill the material needs and wants of society. In other instances alternative definitions of economics seek to reduce the definition to the essential characteristics of an economy. For example, economics can be defined as the study of how human beings organize production, distribution, and consumption. Still in other instances alternative definitions of economics focus on interdisciplinary facets of the structure of economic decision making. For instance, economics can be defined as the study of how cultural norms, social institutions, political structures, and general decision making processes influence human behavior toward economic ends.

Importantly, each of the possible definitional structures stipulated above appear to avoid the pitfalls that plague the orthodox definition of economics. First, none of the above alternative definitional possibilities assumes scarcity. Rather, each definition is open to the possibility of differing forms of economic organization and a diversity of ways to meet societal needs and wants. Second, none of the above alternative definitional structures make unprovable assumptions about individual human behavior and motivation. Rather, the social elements of the organization of economic activity are emphasized, opening the door to analyzing how individuals respond to social conditions. Third, none of the above alternative definitional structures predicates endless want and the need and desirability for endless economic growth. Rather, each is open to the possibility of alternative economic structures that can be coordinated to operate within the limits of the natural biosphere.

Going forward, within the context of the alternative perspectives developed within this textbook, and in addition to the above definitional structures, the following definition of economics is suggested.

Economics – Is the study of social provisioning, in which an understanding of the development of political economies is rooted in social, political, natural, and cultural processes.

CHAPTER 4. DEMAND AND SUPPLY

INTRODUCTION TO DEMAND AND SUPPLY

Figure 1. Farmer's Market. Organic vegetables and fruits that are grown and sold within a specific geographical region should, in theory, cost less than conventional produce because the transportation costs are less. That is not, however, usually the case. (Credit: modification of work by Natalie Maynor/Flickr Creative Commons)

WHY CAN WE NOT GET ENOUGH OF ORGANIC?

Organic food is increasingly popular, not just in the United States, but worldwide. At one time, consumers had to go to specialty stores or farmer's markets to find organic produce. Now it is available in most grocery stores. In short, organic is part of the mainstream.

Ever wonder why organic food costs more than conventional food? Why, say, does an organic Fuji apple cost $1.99 a pound, while its conventional counterpart costs $1.49 a pound? The same price relationship is true for just about every organic product on the market. If many organic foods are locally grown, would they not take less time to get to market and therefore be cheaper? What are the forces that keep those prices from coming down? Turns out those forces have a lot to do with this chapter's topic: demand and supply.

CHAPTER OBJECTIVES

Introduction to Demand and Supply
In this chapter, you will learn about:

- Demand, Supply, and Equilibrium in Markets for Goods and Services
- Shifts in Demand and Supply for Goods and Services
- Changes in Equilibrium Price and Quantity: The Four-Step Process
- Price Ceilings and Price Floors

An auction bidder pays thousands of dollars for a dress Whitney Houston wore. A collector spends a small fortune for a few drawings by John Lennon. People usually react to purchases like these in two ways: their jaw drops because they think these are high prices to pay for such goods or they think these are rare, desirable items and the amount paid seems right.

Visit this website to read a list of bizarre items that have been purchased for their ties to celebrities. These examples represent an interesting facet of demand and supply.

When economists talk about prices, they are less interested in making judgments than in gaining a practical understanding of what determines prices and why prices change. Consider a price most of us contend with weekly: that of a gallon of gas. Why was the average price of gasoline in the United States $3.71 per gallon in June 2014? Why did the price for gasoline fall sharply to $2.07 per gallon by January 2015? To explain these price movements, economists focus on the determinants of what gasoline buyers are willing to pay and what gasoline sellers are willing to accept.

As it turns out, the price of gasoline in June of any given year is nearly always higher than the price in January of that same year; over recent decades, gasoline prices in midsummer have averaged about 10 cents per gallon more than their midwinter low. The likely reason is that people drive more in the summer, and are also willing to pay more for gas, but that does not explain how steeply gas prices fell. Other factors were at work during those six months, such as increases in supply and decreases in the demand for crude oil.

This chapter introduces the economic model of demand and supply—one of the most powerful models in all of economics. The discussion here begins by examining how demand and supply determine

the price and the quantity sold in markets for goods and services, and how changes in demand and supply lead to changes in prices and quantities.