

Economics - Definition Itself Is All Wrong

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Abstract: *The definition of Economics is roughly using scarce resources to meet unlimited wants. Whereas Mahatma Gandhiji said that 'There is enough in the world for every person's need but not enough for one person's greed'. Thus the Mahatma Gandhiji definition emphasizes NEEDS whereas conventional definition emphasizes WANTS. And Mahatma Gandhiji says there is enough in the world, whereas conventional definition of economics says there is scarcity.*

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I. Introduction

There are several definition of Economics. We will briefly here recount some of them and then derive a definition that captures the essence in all these definitions.

Paul Samuelson defined Economics as

Economics is the study of how society uses scarce resources to produce valuable commodities and distribute it among different people.

Robbins defined Economics thus

Economics is science of human behavior as a relationship between given ends and scarce resources which have alternate uses.

Other definition of economics are

Economics studies how human beings allocate scarce resources to produce various commodities and how these commodities are distributed.

Another definition could be

The study of use of scarce resources to meet proposed end.

One could go on and on with various definitions. But from all the above definitions of Economics we can extract a definition to capture the essence of definition of Economics:

Economics is study of use of scarce resources to meet unlimited wants.

This definition accepts that resources are scarce and wants are unlimited. Furthermore wants will continue to remain unlimited even in future. And even in future resources will remain scarce. Thus there is no point in time where resources are sufficient and can meet all wants, which the definition accepts as being unlimited.

Let us understand the inherent pessimism of this definition. This definition essentially argues that whatever be the achievement of human endeavor, resources will remain scarce, no matter what. And wants will remain unlimited and hence unfulfilled no matter how much progress humanity makes. This definition leaves humanity into abyss of dead end of hopelessness in ever achieving happiness or satisfaction. Because if resources are going to remain scarce thousand years from now and wants will remain unlimited thousand years from now, then there is no possibility of satisfaction and happiness.

Now let us come to Mahatma Gandhiji's understanding of relation between resources and wants(or needs)

Mahatma Gandhiji, says - "There is enough in the world for every person's needs but not enough for one person's greed"

Mahatma Gandhiji is the greatest Indian that ever lived. As a saint Mahatma Gandhiji is considered to be as great as Christ and Buddha. And as a politician he is as great as Mao, Lenin, Lincoln, Churchill, Washington. Indeed as an economist he is no less than Marx, Smith, Keynes, Friedman, Malthus.

No wonder Nobel Laureate Albert Einstein said about Mahatma Gandhiji that "Generations to come it may be will scarcely believe that such a man as this walked in flesh and blood."

Mahatma Gandhiji shook the entire British Empire with a pinch of salt.

Mahatma Gandhiji was one man army that maintained peace at time of partition.

Mahatma Gandhiji is considered father of nation in India.

Mahatma Gandhiji is politician, saint and an economist of such great stature that very few have ever matched or are likely to in a distant future.

However this article clearly digressing tangentially is not a biography of Mahatma Gandhiji, but a discussion on definition of Economics, and effervescent euphemism to Mahatma Gandhiji is for the strict purpose of establishing his credentials for uninitiated audience.

Coming back to the topic of Mahatma Gandhiji's understanding of human material problem, which might be called economics, the saint, the politician and the economist said -

“There is enough in the world for every person's need, but not enough for one person's greed”

Conventional definition of Economics is

“Economics is study of use of scarce resources to meet unlimited wants”

Clearly the two definitions of Economics are diametrically opposite.

Firstly Mahatma Gandhiji says there is enough, whereas conventional economics accepts and asserts the abyss of scarce resources.

Secondly Mahatma Gandhiji talks of limited needs, whereas conventional economics talks of unlimited wants.

Finally Mahatma Gandhiji condemns greed, whereas conventional economics has largely silenced ethics and morality of normative economics and permits economists to mostly engage in positive economics, presuming that normative economics is for politicians and voters.

When Mahatma Gandhiji made this statement, he made it in extremely poor India a century ago, asserting that even such a poor India under British colonial rule, had enough for every person's need. Whereas conventional economics would have you believe that even in prosperous Europe and America there isn't enough for every person's want even in 21st century and that inability to meet wants will continue for many millenniums to come. The basic difference between Mahatma Gandhiji's understanding of material problem of humanity and conventional economics understanding is the difference between need and want. This is the difference between materialism and consumerism. The difference between expense and waste.

In fact in prosperous nations like USA, if one were to focus only on needs, then the nation and its people would get by with at the most 10% of GDP, with everybody's needs satisfied. However wants have no hope of being satisfied.

The change in focus from want to need entails three things;

1. Equality of income, consumption and wealth
2. Checking Consumerism
3. Avoiding Wasteful Expenditures.

Let us understand what human needs or/wants are and how much difference there is between need and want.

There are following category of needs and wants:

1. Food and Beverages
2. Housing
3. Education
4. Healthcare
5. Transportation/Communication
6. Clothing and Apparel
7. Entertainment

Of course there are needs of saving and investment, but these needs are for fulfilling above needs and want. Again there could be some goods and services that may come in miscellaneous category, but those could actually be classified in one of the above seven buckets.

Let us take each of the above expenditure classification and see if it is need or want.

Consider Food and Beverages

In this say a need could be for a 15 cent coffee prepared at home, but want would be 300 cent coffee at Star Bucks

Need could be Rs. 100 meal at decent middle class restaurant, but want would be Rs. 3000 meal at 5 star hotel.

Need could be a Meal prepared at home that costs 1 dollar but want could be meal eaten outside at 10 dollars

And then there are some things that clearly are not needs and are wants such as tobacco and even alcohol which create so much health problems.

And then there is excessive consumption of meat and fish in western societies which if reduced can bring down food expenses by 50% with far better health outcomes.

Let us talk about education

In India a good school education in English medium in private school can be procured at Rs. 10,000 per year.

And in same India expensive elitist education can be procured at Rs 10,00,000 per year.

And academic outcomes of inexpensive education and expensive education are same when adjusted for Parent's IQ levels.

Hence the expensive education that costs 100 times inexpensive education is waste of money. Thus a want that costs 100 times the need is clearly a waste of money.

Healthcare is one area where need and want are exactly same.

After all a rich man cannot go for dialysis just because he is rich. And rich man cannot have heart transplant just because he wants enjoy a heart transplant.

In medical care it is possible that a poor man's medical needs and wants may be 100 times a rich person's needs and wants.

And in medical care needs and wants are congruent. Indeed all medication above needs may be construed as poison.

Hence one questions, if needs and wants are exactly same in healthcare why is it that needs and wants are vastly different in other areas of expenditure. And again in health care by healthy life style - exercise, low fat- low calorie diet, avoiding tobacco and alcohol, reducing stress - health care expenses of most advanced nations of world can be reduced by almost 65%. Isn't it better to work on reducing medical needs than work to meet medical needs?

Now let us come to housing. Here the house size of rich people and poor people varies at the most by 4 times. However the furnishing expenses can vary by factor of 100 even for same size house. Clearly there is so much difference between need and want in furniture whereas not so much difference between need and want in housing itself.

Now coming to transportation. Here there can be big difference between cost incurred in public transportation and cost incurred in private vehicles. For instance in India, if you were to commute by train in Mumbai in India it could cost Rs. 250 per month, whereas travelling by car could cost Rs. 25,000 per month. However considering that public transportation could reduce congestion by more than 90% should not even rich people be forced to use public transportation. Here the difference between want and need is a multiple of 100.

Let us come to entertainment. Now even the richest people in richest nations of world spend 40 hours a week in front of TV and poorest people in poorest nations of world spend 40 hours a week in front of TV. And if riches are supposed to help you enjoy life, then one wonders how is the enjoyment of rich person different from poor person if both are spending most of their enjoying time in front of TV. Here the need is same as want. Yes the rich man in India might go to Brazil rain forest and spend 10,000 dollars per person on a vacation whereas poor person might go to forest in Mumbai and spend 10 dollars per person on vacation. But forest in Mumbai is as good as forest in Brazil. Why waste all that money.

In Clothing there can be great deal of waste between want and need. After all a poor person can have 10 pair of inexpensive clothing in USA, whereas the rich person in USA can have 100 pair of expensive clothing. And that can mean a difference of almost 100 times. But clearly it is a waste caused by vanity.

It is the difference between need focus of Mahatma Gandhiji and the want focus of Economics, that is the cause of all economic problems of the world.

If Economics understands the futility of fulfilling wants, and instead focuses on meeting needs there will be no scarcity and economic problems will get solved instantly. However if Economics continues to endeavor to fulfill wants, then there always will be scarcity and economic problem has no hope of even being solved.

Hence Economics must distinguish between Materialism and Consumerism. If this sort of thinking seems absurd, then there is already some thinking along those lines in terms of Happiness Index and Human Development Index.

Except this that most of Economics is still trying to attempt the impossible - meet wants instead of needs. And hence Economics as a profession is doomed to failure.

One would argue that it is not possible to focus on needs rather than wants.

If in health care needs and wants are same, then why not in other areas of human expenditures. And this is not theoretical argument. After all in UK - Britain - there is NHS, which provides same health care services to rich and poor alike.

And again in Education even in capitalist and consumerist society such as USA, almost 95% of students go to public schools, thus making needs and wants congruent.

And in food at least calorie wise rich person cannot consume more calories than poor person without risking health through obesity.

Thus at least in 3 areas of expense - health care, education and food needs and wants are same. Then one must question how much difference between want and need can one tolerate in other areas of expense - clothing, housing, entertainment, transportation.

Actually the difference between need and want is vanity. Most expenses above the need category and for want category are driven by Ego

Thus Economics has become a science and art of Ego. Because needs can be fulfilled very easily, it is wants that are driven by Ego that are impossible to fulfill.

After all if furnishing expense of similar size house are different by 100 times, then why do we hesitate to point out the obvious that the increased expense is due to Ego and Vanity.

Let us call spade a spade and not mince words. Economics is science and art of Ego. If Ego decoration and Vanity adornment was not an obsession, Economic Problem would not exist.

Economics is about scarcity of resources to meet unlimited wants. But wants are unlimited only due to Ego. If one tries to meet needs without ego, there are enough resources to meet those needs. Hence economic problem would not exist.

Now equality goes against the very essence of ego. Hence normative economics is relegated to back ground, even as Economists waste time discussing positive economics issues on which they do not agree any way.

Mahatma Gandhiji does not have any compulsion of tactfulness in condemning greed, when he says there is enough in the world for every person's need and not enough for one person's greed.

Perhaps, economists of the world should take a leaf from Mahatma Gandhiji's book and condemn wants in no uncertain terms even as they affirm the importance of meeting needs.

Because want and greed are one and same thing.

Economics in pointing the scarcity of resources to meet wants is actually condoning greed, when such greed must be condemned.

You must have heard the statement that poverty anywhere is threat to prosperity everywhere. What is equally true is that prosperity anywhere is cause of poverty everywhere.

It is greed of one person, that makes it impossible to satisfy need of every person.

What the obsession with fulfilling Ego driven Greed and Vanity induced want, has done is created the artificial Economic Problem of Scarcity of Resources in meeting Unlimited Wants.

If we subtract Ego and Vanity from the Human Material Problem, then there isn't any scarcity of resources to meet limited human needs.

Economic Problem doesn't get solved, Economic Problem doesn't exist in first place.

Ego is the root of Economics. If Ego did not exist, Economics would also not have to persist.

Because Economics is the study of use of scarce resources to meet unlimited wants. And wants are unlimited only due to Ego. But needs in all categories are definitely limited.

Economics has to become science and art of controlling Ego. Only then economic problem can get solved. However for that to happen Normative Economics has to become important and emphasized. But economists are told and taught that they cannot emphasize the ethical and moral nature of normative economics and are allowed to only engage in meaningless positive economics, which is any way so confusing and contradictory without conclusion.

If Economics can gather courage and condemn ego driven greed and vanity induced wants, then Economics will have solved the material problem of humanity that is caused by scarcity of resources trying to meet unlimited wants.

There is need to correct the definition of economics to the following:

Economics is the study of use of adequate resources to meet limited needs.

This definition is diametrically opposite of conventional economics definition:

The study of use of scarce resources to meet unlimited wants.

Definitions may seem redundant. But definitions matter more than anything. For instance in India Secularism is defined as 'Equal Treatment of All Religions', whereas in Western world Secularism is defined as 'Separation of State and Religion'. It is the cunning definition of Secularism in India that is responsible for all communal hatred in India.

But equally it is rather unquestioned definition of Economics that makes Economics a dismal and pessimistic science. Because if you define Economics as study of scarce resources to meet unlimited wants, you have at the very outset conceded and admitted to the impossibility of ever solving the economic problem.

Let all Economists of the world juxtapose Mahatma Gandhiji's statement - "There is enough in the world for every person's need but not enough for one person's greed" against conventional definition of Economics - "Economics is the study of use of scarce resources to meet unlimited wants."

In fact Economists don't even need to turn to Mahatma Gandhiji. All economists need to do is change the word 'WANT' to 'GREED' in the conventional definition of Economics.

Now the conventional definition of Economics would read-

Economics is the study of use of scarce resources to meet unlimited GREED

And there is actually hair splitting non existent difference between WANT and GREED, especially when WANT is contrasted against NEED.

In fact that definition can be further improved as follows:

Economics is the study of use of scarce resources to meet EGO DRIVEN GREED

That definition can also include the fact that there is enough resource to meet needs

Economics is the study of use of scarce resources to meet EGO DRIVEN GREED, even when there are enough resources to meet all EGO LESS NEED.

If one filters the above definition and deduces the essence of that definition then it would be

Economics is the study of EGO PROBLEM.

Of course when given such definition of Economics most people would be appalled and shocked. But not giving economics such a definition would require us to attempt the impossible task of not so much negating but ignoring Mahatma Gandhiji's assessment of human material problem

There is enough in the world for every person's need but not enough for one person's greed.

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