

Chapter 1:
**Definition and subject of economics and its relation
to other sciences**

Preview

This chapter examines the essential concepts of economics, a social science characterized by varied intellectual traditions and ideological perspectives, with the objective of offering a thorough grasp of this discipline that impacts our lives.

1. Definition of economics

Economics is a social science that focuses on the production, distribution, and consumption of goods and services. The study of economics is primarily concerned with analyzing the choices that individuals, businesses, governments, and nations make to allocate limited resources.

Economics is the study of how people allocate scarce resources for production, distribution, and consumption, both individually and collectively. The scope of economics includes studying how limited resources are distributed to meet unlimited wants. Therefore, economics aims at maximizing the welfare of human beings¹.

Economics is the study of scarcity, the study of how people use resources and respond to incentives, or the study of decision-making. It often involves topics like wealth and finance².

The antiquity of economics is evident in some definitions that emerged in ancient civilizations, which later developed in accordance with the changing social entities and the interconnections between economics and other sciences.

Adam Smith, in his book “An Inquiry into the Nature and Causes of the Wealth of Nations” (1776), defined economics as the science of nations; it means that it is the science that focuses on wealth and its causes. meaning that economics is the science that examines the causes behind the creation of wealth, and therefore economics deals with the production, distribution, and consumption of wealth, and a nation’s wealth is created. However, Smith considered only material wealth, excluding the importance to man and welfare. Paul Samuelson defined economics as “*economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people.*”³ Therefore, economics is the science that focuses on how societies use scarce resources to produce valuable commodities and distribute them among people, so

¹ Adam Hayes, Economics Defined With Types, Indicators, and Systems, 28 June 2024, consulted on 22 June 2025, at <https://www.investopedia.com/terms/e/economics.asp>

² American Economic Association, What is Economics? Understanding the Discipline, 2025, consulted on 22 June 2025, at <https://www.aeaweb.org/resources/students/what-is-economics>

³ Bhekuzulu Khumalo, Defining Economics in the Twenty First Century , Modern Economy, Vol 3, N° 5, 2012, p. 600.

economics helps society choose what commodities are produced or consumed using its scarce resources. Thus, it analyzes costs and benefits of improving patterns of resource allocation¹.

Economics studies the treatment of the economic problem and its related aspects of distribution and consumption, meaning how individuals and society choose to employ relatively scarce resources to produce various goods at different times and periods, and how these goods are distributed for current and future consumption on the one hand and among members of society on the other. Thus, this definition elevated the field of political economy to a higher level, as it did not limit the science to the creation of wealth but extended it to the study of its distribution.

As for Oskar Lange, he defined political economy as the science that concerns itself with organizing and managing the relatively scarce resources for creating wealth in society, with the aim of achieving the maximum possible satisfaction of diverse human desires through various goods. Lange added that political economy is the science of the laws governing the production of material means to satisfy human needs and their distribution². In the same context, the French economist Jean-Baptiste Say defined economics in 1803 as the science that studies the way wealth is formed, distributed, and consumed. Malinvaud added that political economy is the science that studies how society can use its scarce resources to meet its diverse and rapidly changing individual and collective needs, whether tangible (food, drink, clothing, and housing) or intangible (security, justice, education, health, culture, and entertainment). These needs arise from the interaction of human groups with each other or in their struggle with nature to tame it and obtain resources from it³.

Alfred Marshall wrote in his book “Principles of Economics” (1890), in which he defined political economics, or economics, as the science that studies mankind in the ordinary business of life; economics focuses on how a person gets his income and how he invests it. Thus, economics examines humans in their daily pursuit of earning income and how to distribute it to achieve the maximum possible satisfaction of their various needs. In Marshall's view, economics studies the needs of individuals and societies from a material perspective, as societies need to acquire goods to maximize their material welfare, excluding many non-material activities and goods that contribute to enhancing material welfare, such as education and health⁴.

¹ Bhekuzulu Khumalo, op.cit., p. 598.

² Omar Sakhri, *Macroeconomic Analysis (Macroeconomics)*, 5th Edition, University Publications Office, Algiers, 2005, p. 7.

³ Moussa Zouaoui, *General Introduction to Political Economy (The Science that Governs Us)*, Algerian Publishing and Distribution House, Algiers, 2015, pp. 24-25.

⁴ Alfred Marshall, *Principles of Economics*, 8th edition, Macmillan and Co, London, 1920, p. 1.

Subsequent definitions attempted to address the neglect of the importance of services and included them within the topics of economics. Thus, the prevailing standard in economics became not material welfare but the satisfaction of needs, and the scope of economics now encompasses every human activity aimed at satisfying needs¹. Thus, economics became the science of satisfying needs, meaning that exchange is the link between the production of wealth and the satisfaction of needs. Perhaps the most widely accepted and circulated definition in our time is the one provided by Lionel Robbins, who wrote in his book “An Essay on the Nature and Significance of Economic Science” (1932). According to him, economics is a science that studies

human behavior as a relationship between ends and scarce means that have alternative uses. In other words, economics is the study of human activity in its effort to satisfy its unlimited wants using limited means. The subject of economics, according to this definition, does not only concern itself with needs or means in themselves, but rather with studying the total relationships between multiple and unlimited ends and the limited means with multiple uses².

Robbins wrote, “*The economist is not concerned with ends as such. He is concerned with the way in which the attainment of ends is limited. The ends may be noble, or they may be base. They may be ‘material’ or ‘immaterial’—if ends can be so described. But if the attainment of one set of ends involves the sacrifice of others, then it has an economic aspect.*” This statement by Lionel Robbins is the basis of reading economics, to understand as scientifically as possible the implications of choice, of a choice given limited resource; otherwise, one reads and discusses political economy rather than economics.

Concerning the contemporary definitions of economics, there are Ronald M. Ayers and Robert A. Collinge, who defined economics as the science that examines how to make choices well. They added that economics focuses on the study of the allocation of limited resources in response to unlimited wants. Accordingly, economics helps make choices; this means it helps reach rationality concerning the decision of allocating the limited resources (means) of society on unlimited wants.

Richard Lipsey presented a broad definition of economics, which he defined as the science that helps allocate the society’s resources among alternative uses and the distribution of the society’s output among individuals and groups at a point in time. It determines the ways in which allocation and distribution change over time and the efficiencies and inefficiencies of economic systems.

¹ Moussa Zouaoui, op.cit., pp. 24-25.

² Ali Hafez Mansour, Principles of Economics, Al-Ashry Press, Egypt, 2004, p. 6.

In turn, the American Economic Association gives a simple and easy-to-comprehend definition: *Economics is the study of how people choose to use resources.*” Then they explain what they mean by resources: *“Resources include the time and talent people have available, the land, buildings, equipment, and other tools on hand, and the knowledge of how to combine them to create useful products and services.”*¹ Economics can accordingly be defined as the study of how humans use knowledge to identify resources and use these scarce resources to create, using knowledge, commodities and distribute them among people.

2. Subject of economics

Given economics focuses on satisfying the unlimited wants with the limited means, economics provides humans with more choices of using these resources, which in turn makes it possible to improve lives both individually and as a society, so people, businesses, and governments can decide what to do with their resources (money, time, and effort).

The subject matter of economics has evolved in terms of the topics it addresses. Initially, the focus of economics was on wealth in its material form and related topics such as the distribution of that wealth (in the form of income), its consumption, and exchange issues. Over time, it has shifted to more general topics that are more closely related to the economic developments that societies have experienced and continue to experience.

The emergence of new developments and changes resulting from the complexity of economic life has contributed to the evolution of the subject of economics and has presented economists with challenges to confront and address in order to provide explanations for them, analyze their dimensions and impacts, and offer recommendations to assist decision-makers in adopting appropriate policies. The tasks that have long dominated the work of economists involved describing economic life, revealing the interactions that occur between various economic variables, and the economic phenomena associated with them that have affected human life based on statistical data, with the aim of proposing the best solutions and remedies for these evolving phenomena to improve the well-being of individuals and communities. The subject matter of economics has evolved in terms of the topics it addresses. Initially, the focus of economics was on wealth in its material form and related topics such as the distribution of that wealth (in the form of income), its consumption, and exchange issues. Over time, it has shifted to more general topics that are more closely related to the economic developments that societies have experienced and continue to experience. The emergence of new developments and changes resulting from the complexity of

¹ Bhokuzulu Khumalo, op.cit., pp. 597, 598, 604.

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The complexity of economic life due to the multiplicity of needs and their significant changes, along with the trend towards greater complexity, specialization, and division of labor in the economy—especially with the emergence of the fourth wave of globalization—has made understanding economics a more difficult task. It requires a broad understanding of many sciences to answer some questions that directly affect humans, such as, What do we produce? For whom do we produce? When do we produce? How do we produce? And where do we produce? Since the answer to these questions must focus on maximizing the benefit from relatively limited resources and directing and utilizing them in the best possible way to achieve the maximum possible satisfaction². Therefore, some economists have argued that the subject of economics is the study of the way society chooses to use its relatively limited resources to produce various products and distribute them among different groups to achieve the maximum possible satisfaction, which can only be attained by producing goods and services that are merely processes of combining and separating materials already present in nature. Accordingly, the true goal of production lies in selling to achieve profit. When a farmer cultivates the land, he does not aim solely to satisfy needs; rather, he aims to sell the produce to achieve profits. Likewise, the capitalist procures tools and machinery, hires laborers to boost output, and then sells it to optimize profits³.

The subject of economics is not limited to needs in themselves or means in themselves but rather extends to the study of the total relationships between multiple

¹ Moussa Zouaoui, *op.cit.*, p. 26.

² Ali Hafez Mansour, *op.cit.*, pp. 8-10.

³ Mohamed Adel Zaki, *Critique of Political Economy*, 6th Edition, Dar Al-Fath for Printing and Publishing, Egypt, 2019, p. 31.

goals, whose relative importance varies from place to place and from time to time on one hand, and the limited means capable of multiple uses on the other hand. Thus, it can be said that economics is the science of the suitability between means and ends, which involves addressing the problem of choice that includes studying how individuals and society choose to allocate relatively scarce economic resources with multiple uses to produce goods and services that can be distributed across different periods (present and future) and among the various groups that make up society¹. Accordingly, many believe that economics addresses two problems that have long troubled thinkers: scarcity and choice, which involve the trade-off between limited alternatives to select one while sacrificing the others (losing the opportunity to choose other alternatives) to satisfy infinite needs. In conclusion, it can be said that regardless of the various topics that economics may address, they must ultimately serve the final goal of maximizing human benefits and increasing happiness by reducing pain and enhancing joy and pleasure².

3. The relation of economics to other sciences

The relationship of economics with the satisfaction of human needs has made the subject of economics diverse in terms of the topics it addresses. Additionally, the relationship between economics and other sciences has contributed to the development of economics.

The diversity of economic phenomena and the multiple dimensions of economic problems have driven economists to rely on other sciences to understand and interpret these phenomena and propose solutions to the economic problems faced by societies. Interpreting economic phenomena requires the economic researcher to rely on other sciences, as economic problems are often linked in one way or another to this or that science. By doing so, the economist combines the absolute theoretical abstraction on which economic studies are based with other human knowledge and merges their role as an economic researcher with that of a social researcher, leading us to explore the true relationship between economics and other human sciences.

3.1. The relation of economics to politics

Economics is linked to politics, as economic activity is influenced by the system of governance, the form, and the orientations of governments. Similarly, economic conditions have always played a crucial role in determining political developments and

¹ Mohamed El-Banna & Mahmoud El-Mutayem, Principles of Macroeconomic Theory (An Applied Approach), El-Khouly Printing House, Egypt, 2008, pp. 11-14.

² W. Stanley Jevons, The Theory of Political Economy, 5th edition, Augustus m Kelley Pubs, 1965, p. 23.

have often been a direct cause of the fall or continuation of governments. Strong economies usually help their political systems to stabilize, which in turn aids in the expansion and strengthening of economic activity¹.

3.2. The relation of economics to law

The law provides the legal framework and necessary legislation for the existing social system that determines the nature of economic activity. The legal legislator can expand or limit the scope of economic activity and impose restrictions on economic transactions, as they may determine the form and prices of goods based on social, humanitarian, or even political considerations. They may impose tax laws and customs policies and define ownership, contracts, wage regulations, and economic relations within the country and with other countries. Additionally, the presence of a strong justice system usually contributes to providing a suitable environment to support economic activities by enforcing contracts on all individuals, and vice versa².

3.3. The relation of economics to philosophy

Since economics focuses on studying how to improve the welfare of human beings by distributing scarce resources to meet unlimited needs, it has implications for a wide range of other fields, including politics, psychology, business, law, and more³.

3.4. The relation of economics to history

History provides the economic researcher with the social, political, cultural, and legal factors that may have influenced the development of societies. Historical events cannot be overlooked in explaining certain economic phenomena, as they can be inferred to devise solutions for economic problems or to avoid repeating past mistakes. That many historical movements, such as, for example, the more recent Great War, are closely associated with economic conditions, and that, on the other hand, many economic principles or theories can be best understood only when viewed from a historical standpoint, no one will deny⁴. Therefore, policymakers usually often rely on previous crises to devise solutions for current ones. A prime example of this is the global financial crisis of 2008, which renewed interest in earlier financial crises such as the Southeast Asian crisis of 1997 and the Great Depression of 1929 to draw lessons for addressing the repercussions of the 2008 global financial crisis.

¹ C. D. Johns, The Relation of Economics to History, The Southwestern Political Science Quarterly , March, 1921, Vol. 1, N° 4, pp. 373.

² Ibid.

³ Ibid, p. 374.

⁴ Ibid, p. 374.

Economics also influences history; without a solid understanding of how policies affect households and businesses, the historian will neither be motivated nor able to carry through a time-consuming investigation of such questions.

Economic history has an origin that is very closely connected to the discipline of economics; this push many to say that economic history is in many ways the mother of economics¹.

3.5. The relation of economics to geography

The importance of geography is highlighted in providing us with information in a specific and organized manner about the distribution of resources and natural and human features on the face of the earth that can be utilized. Geography supplies economics with information about the natural and human environment of economic activity, and it is also concerned with studying the relationships and interactions that occur between humans and the natural environment in various continents and regions².

The relationship between economics and geography has led to the emergence of one of the branches of economics known as economic geography, which focuses on studying the geographical conditions affecting the production, transportation, distribution, and exchange of goods. In other words, it examines the distribution of productive activities (various crafts and professions) on land and their specialization in producing certain goods in specific areas. Economic geography studies the relationship between natural and economic forms and the resulting impacts on human lifestyle³.

3.6. The relation of economics to sociology

The influence of sociology is evident in providing economists with information about customs, traditions, behaviors, and demographic composition, which they rely on to determine production methods and techniques and product specifications and to formulate effective policies for income and wealth distribution or to develop an optimal development plan for the advancement of a specific area. The success of any economic policy depends on its acceptance by society and its compatibility with prevailing traditions and customs. It is unrealistic to expect the success of any imported policies that do not respect the customs and traditions of society. Therefore, policymakers in countries take into account the customs, traditions, and social structure when

¹ Einar Lie, Economic History and Economic Theory, Nordic Journal of Political Economy, Nordic Journal of Political Economy, vol 33, 2007, pp. 2, 4.

² Mohamed Riad & Kawthar Abdel Rasoul, Economic Geography and Bioproduction Geography, 4th Edition, Hindawi Foundation for Education and Culture, Egypt, 2014, p. 17.

³ Mohamed Khamis Al-Zouka, Economic Geography, University Knowledge House, Egypt 2000, pp. 30-31.

formulating economic policies¹. The founder of sociology, 'Abd al-Rahman Ibn Khaldun, 'clearly embodied the relationship between economics and sociology. Economics formed the foundation upon which he relied in his analysis and interpretation of historical and social events, and it constituted one of the elements in the fabric of human civilization and the development of societies².

3.7. The relation of economics to psychology

Each science shares in the study of individual behavior and the factors and motivations that drive them to a certain behavior. The economist must take into account the external behavior of individuals. For example, an economist can predict a decline in the demand for purchasing cars with the rise in their prices, as this stems from an internal motivation represented by the shock of price increases, which drives the consumer to postpone the purchase until prices decrease later. The economist builds his expectations by observing consumer behavior with other goods, and the same applies to investors whose many decisions are subject to psychological factors³. Many economists have pointed out that economics and psychology stem from the same discipline, which is moral philosophy. Adam Smith argued in his book "The Theory of Moral Sentiments," which was published before "The Wealth of Nations," that human decision-making, including economic decisions, can be divided into two fields: feelings such as fear and anger, and emotions such as love and desire. The book "The Wealth of Nations" pointed to the relationship between economics and psychology, as the opportunity for profit depends on individual estimates. Since the end of World War II, the relationship between economics and psychology has garnered significant attention from economists in various fields of economics, including investment, consumption, finance, and more⁴.

3.8. The relation of economics to demography

Demography is the science of studying populations, their distribution, fertility, and family planning. For those engaged in the field of economics, humans remain the primary actors in economic activity and the subject of economic science. Demographic factors influence human economic behavior. For example, high fertility and a young population are seen as important factors in the increase of current and future

¹Majid Ali Hussein & Afaf Abdul Jabbar Said, Introduction to Macroeconomic Analysis, 1st edition, Dar Wael Publishing, Jordan, 2004, p. 20.

² Abdelkader Adala, Ibn Khaldun's Economic Theory: A Comparison Between Abdelmadjid Meziane's Approach and Contemporary Western Thought, Asour Journal, University of Oran 1, Algeria, N° 37, October-December 2017, p. 21.

³ Majid Ali Hussein & Afaf Abdul Jabbar Said, op.cit., p. 20.

⁴ Stavros A. Drakopoulos & Ioannis Katselidis, The Relationship between Psychology and Economics: Insights from the History of Economic Thought, Munich Personal RePEc Archive, MPRA Paper N° 77485, March 2017, pp. 11, 12.

consumption, while the rising percentage of the poor class is viewed as one of the economic problems facing developing countries and even developed ones¹.

3.9. The relation of economics to mathematics

Considering economics as a social science does not negate its relationship with the natural sciences. Economists have long relied on natural sciences such as statistics and mathematics to impart precision to the field of economics and to provide depth to thinking and analysis. Economists rely on the sciences of statistics and mathematics to collect, categorize, and analyze data to study economic phenomena and relationships in areas such as production and growth, among others, to assist decision-makers and accurately predict various trends in economic variables. Phenomena such as inflation and indicators like GDP and national income cannot be explained or calculated without the aid of statistics and mathematics. Consequently, some important scientific disciplines that rely on statistics and mathematics, such as mathematical economics and econometrics, have branched off from economics. These have become commonly used in interpreting economic phenomena, the relationships between various economic variables, and predicting the changes that may occur in them². In this regard, there are many economists, most notably the followers of the marginalist school, who believe that economics should be a mathematical science, arguing that economics deals with quantities³.

¹ Majid Ali Hussein & Afaf Abdul Jabbar Said, *op.cit.*, pp. 20-21.

² *Ibid*, p. 21.

³ W. Stanley Jevons, *op.cit.*, p. 7.

Summary

Economics is considered a crucial social science that is closely related to people's continuous efforts to satisfy a variety of needs. Its substance and meanings have changed to reflect social and intellectual developments. Being the most important social science that studies how people behave in connection to economic activity, it is now inseparable from other fields. Without the assistance of other sciences, it is impossible to research and comprehend economic issues that impact humans due to the complexity and diversity of human behavior.