

MODULE 16

The Problem of provisioning

Archeological and written records of human existence suggest that obtaining the material means to satisfy wants has been a permanent problem. Food and shelter are requirements of human life. Other goods satisfy a range of human desires and give pleasure or utility to individuals. The study of ways that humans deal with these problems of provisioning is called “economics.”

Provisioning considers economics as a social science. Economics as a study of provisioning includes the historical and philosophical foundations and context of economic behavior. The tradeoffs between the economic and noneconomic goals are considered. The interrelationships of economic life with justice, ethics, morality, creativity, security and esthetic values are of concern. Human societies have attempted a lot of alternative systems to deal with the problem of provisioning. Some have been more successful and other less so. Some systems have lasted for thousands of years with few changes. Other systems have come and gone quickly. In some cases, environmental problems have caused the demise of societies. In other cases, the societies ended suddenly with social revolution. In other cases, the societies adapted to changing conditions and evolved over time. Mayan, Egyptian, Roman, Incan are only a few of the societies that have come and gone. Archeological studies continually find evidence of societies that flourished and ultimately failed. In some cases, they were destroyed from outside forces: The Spanish ended the Aztec and Incan societies. In other cases, the causes were environmental: there is a hypothesis a drought is responsible for a dramatic change in the Mayan society.

Society is confronted with limited resources and a given state of technology at any given point in time. As a result, there is limited amount of goods and services that can be produced in that time frame. Certain human desires and need for food, clothing and shelter, it is not always possible to produce everything that everyone would like to have. When individuals want more than can be produced they have the economic problem of scarcity.

The problem of scarcity might be resolved by reducing individuals wants or by increasing the output of goods and services. If the solution is to reduce wants, which wants should be eliminated and which should be retained to be satisfied? The individual would necessarily be required to make a choice. If the solution was to produce more goods, which goods should be produced and how are they to be produced? Again, the individual must make choices. In modern, neoclassical, economic analysis (we will call this “orthodox” economics), the problem is structured so the wants are taken as given and the problem is to produce the goods that satisfy the greatest wants.

Scarcity requires that the individual or agent make choices. An individual in isolation (Defoe's Robinson Crusoe before Friday) would have to make choices because of time and resources are limited. It would be necessary to choose whether time was to be spent catching fish, gathering coconuts, reading or building shelter. If the choice were to catch fish, he/she would have to choose between making a net, a fishing pole or trying to catch fish by hand. The choice to spend an hour fishing means that that hour cannot be used to gather coconuts. The sacrifice of coconuts is called "opportunity cost."

Even Robinson Crusoe's world of isolation did not last long. When Friday came to the island, it became necessary to decide who did what and who got what. It is necessary to coordinate the preferences and activities of Crusoe and Friday. Since the story of Robinson Crusoe was written by an Englishman, Daniel Defoe (1659-1731), Crusoe is dominant and he has a greater influence on the decisions than Friday. In 1719, the point of view of an English writer was that aboriginals of various lands were subordinate. But it is necessary to coordinate their activities.

In a society, the behavior of the individuals must be coordinated through social interaction. This social interaction takes many forms ranging from cooperation to competition. In the process of resolving the allocation problem through social interaction, a set of institutions, organizations, beliefs, principles, perspectives and commonly held values are created. Society, guided by these values, perceptions and beliefs and constrained by institutions, technology and resources, must solve the problem of provisioning. The specific uses of goods and resources must be determined. These choices involve which resources to use, which goods to produce, who will bear the costs and who will benefit.

The basic problem is the coordination of the choices and behavior of individuals. Finding a way to protect the autonomy of the individual while coordinating their behavior to provide for the commonweal has been an important goal of greatest writers on social topics.