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Life Lessons from the Queen of Social Sciences

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ABSTRACT:

Science is regarded as body of knowledge. It is the compilation of facts established over the time by renowned personalities. Economics, being social science has its uniqueness in framing postulates/laws. An attempt was made to retrieve the life lessons from the laws of economics. To keep the discussion lively, active voice and exemplification were practiced. These retrieved lessons can be adapted and implicated to our lives to lead a better life individually and build a better society at macro level.

Introduction to social sciences:

Typically, science is a systematic method of investigating the natural world through observation, experimentation, and evidence-based reasoning. Social science is the systematic study of human behaviour, social relationships, and societies. It uses scientific methods such as observation, surveys, interviews, and data analysis to understand how people interact, how groups function, and how social structures and cultures develop and change. Major branches of social sciences include sociology, psychology, economics, political science and anthropology.

The queen of social sciences:

Economics is regarded as "Queen of Social Sciences" due to its distinctness and importance. It is also regarded as an art and science too, implicating that it is not only based on evidence but also on creativity. Once, the economics and political sciences were combinedly referred as political economy. However, they were separated and formed as political science and economics. Political sciences are regraded as the "King of Social Sciences."

Economics derives most of its laws from the generalizations of human behaviour. It assumes certain conditions for the uniformity, simplicity and universal validity. Economists call them as "assumptions," without which the laws are not/less valid.

Law of diminishing marginal utility, law of equi-marginal utility, law of demand, law of supply, law of comparative advantage, opportunity cost principle, law of marginal productivity etc., were some famous laws seen in the economic literature.

Life lessons from economic laws:

One may wonder, how academic laws can guide us in life? The answer lies in the nature of the economic

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laws. As discussed, most of the economic laws are derived from generalizations of human behaviour, the converse can hold good. In a nutshell, one can reciprocate the well validated behavioural patterns from the economic laws.

Let's discuss some interesting laws and the lessons they teach……

"Keep it simple" says LDMU:

Law of Diminishing Marginal Utility (LDMU), one of the axiomatic laws in economics says that "If you go on consuming a product continuously, the additional satisfaction you derive by consumption of the product shall go on decreasing"

Let's exemplify: Assume that, you have been craving for chocolates and obviously you have purchased a chocolate of good size to satiate your hunger. The consumption of first chocolate usually satiates your hunger, but the brain says to consume the another one. Owing to the brain's provocation if you consume the second chocolate, then the additional satisfaction you derive shall be decreased, when compared to the first chocolate's satisfaction. This phenomenon continues till the additional satisfaction gets equal to zero and it may lead to negative satisfaction *viz*., dissatisfaction also if you could not resist the consumption.

This law has its universal validity, reciprocating a strong message/lesson to us that, whatever is the product/good/service it may be, if you go on consuming it continuously, then the additional satisfaction you derive shall goes on decline, reaches zero and sometime leads to dissatisfaction. This is evident in so many real-life situations.

We usually buy more vehicles, more houses, more phones *etc*., whatever the good it could be, nothing gives you more satisfaction than the first good/product. First is always the best. This is also due to the operation of LDMU.

We often get irritated by the ring tone of our phones, due to its over hearing. If we can track back, we are the culprits for assigning the favourite tone/song as our ringtone. This is due to the operation of this law. Any thing which is excess can be irritating/dissatisfactory.

A phrase of Sanskrit says "*Athi sarvathra varjeyathe",* which means "excess/extremes should be avoided in everything". Therefore, literally saying "keep it simple".

"Observe the opportunity you lose rather than the benefit you gain" says Opportunity cost principle:

We all do activities in daily life. It is a very common thing that each activity has its alternatives. Each activity comes with a cost and benefit. We routinely take decisions in our daily life to choose one activity among the multiple available activities.

We usually look in to the benefit of the activity while choosing it, but what matters is "value of the next best alternative." Opportunity cost is the value of the next best alternative that is forgone when a choice is made.

In economics, cost/benefit can be monetary or non-monetary. Typically, cost is something which we lose, benefit means some advantage we gain.

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Let it be more practical: Assume that you have Rs. 500, which you can spend easily. You have two choices at your end, either to buy your favourite book (choice 1) or to watch your favourite movie (choice 2).

If we choose choice 1, then you may lose Rs. 500 as cost, but the benefit is apparent through the purchase of the book. Purchasing a book is your activity and the next best alternative is watching a movie. Your decision is valid one, until and unless the value of watching a movie is less than the cost of book.

To be simplistic, let's assume that you would get a satisfaction of 600 units by purchasing the book, the next best alternative is "watching a movie". If you can assign some measurable units to satisfaction for this, then it becomes 600 utils. (1 unit of satisfaction is equal to 1 util). Similarly, you may get a satisfaction of 400 utils by watching a movie. Hence, it is obvious that, if you gain from purchasing a book, you should lose the satisfaction of watching a movie. The satisfaction you are losing is known as "Opportunity cost." Thus, the opportunity cost of the book is 400 utils and opportunity cost of watching a movie is 600 utils.

Details	Purchasing a Book	Watching a Movie
Cost	Rs. 500	Rs. 500
Benefit	600 utils	400 utils
Opportunity cost	400 utils	600 utils

The opportunity cost principle says "take/do the activity in which you have least opportunity cost." It sounds so simple, but we rarely consider the "value of next best alternative." This principle plays a pivotal role in framing many laws in economics. If you have multiple activities with costs and benefits listed, then you are suggested to choose the activity with lowest opportunity cost.

Pertaining to "Internation Trade," the reputed "Law of comparative advantage" theory also is an extension to this law, where it advocates "a country/region should specialize on such activity in which there should be less opportunity cost."

Therefore, "Observe the opportunity you lose rather than the benefit you gain" says the Opportunity cost principle.

A Sanskrit verse says "Saṃyoge vihite kārye na sañcitya phalādhikam, apalābhaṃ nirīkṣeta prājñaḥ kāryārthanicchaye", which translates as "When choosing an action, the wise do not look only at the benefit gained; they observe the loss of the alternative that must be given up"

"Assumptions are important, though they are unrealistic" says "Cardinal approach":

Cardinal in economics implies "measurable". To be realistic, one cannot measure the satisfaction through some physical units like kg, litres, cm, m^3, etc., but still, classical economists assume cardinal approach to describe the fundamental laws/concepts like "Law of diminishing marginal utility, law of equi-marginal utility, consumer's surplus etc.,"

Let it be reminded in the previous example that, units of satisfaction are assumed as utils. Though this assumption is unrealistic, it is prescribed so. This clarifies that, sometimes we need to assume certain things to go on in the life, though they are unrealistic.

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Say for example, "I should assume that, you are going through the article well and it is being understood" otherwise I could not complete this article.

A student may assume, "Tomorrow exam is very easy, though the reality is unpredictable." It gives the tinge of positivity to kick start his preparation now.

A pilot may assume, "Today's weather is very good and everything goes well for the flight." Reality may not be the same. Still, it gives him/her a confidence boost to lead the effective flight.

It's not maximum, it's the optimum says "Law of diminishing returns":

Aiming high is a good thing, but according to economics, one should aim at optimum. Optimum implies "the best" situation.

Law of diminishing returns says that, if you keep increasing one input while holding other inputs fixed, the extra output you get from each new unit of that input will eventually start to fall"

Production is a dynamic process and combined output of many inputs. If one input is varied keeping other inputs constant. Let the variable input be "single variable input." Then, marginal output (additional output derived from using additional unit of input) gets decline and decline. This law is called as "Law of life itself" by economists, due to its universal validity. It is very pivotal in production economics.

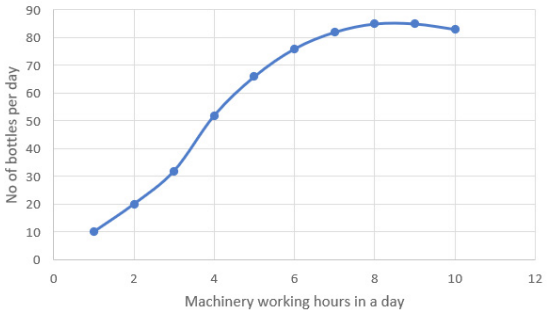
This law aims at finding the optimum input to be used and optimum output to be produced. These goals are like two sides of the same coin. In economics, it is less aimed to find the maximum point. Instead, it focuses on optimum point.

A rational producer focuses on optimum production instead of maximum production. This is because the fact that, if the production is peaked, it exerts the pressure on the plant/machinery, which makes the production to decline after attaining its peak.

Let's take an example of bottles making company, The number of bottles made per day is influenced by many factors like machinery working hours, human labour, availability of raw material etc., For the simplicity, lets assume that it is being influenced by only machinery working hours in a day, keeping other factors as constant.

The details of the same were tabulated in the below table:

Machinery working hours in a day	No. of Bottles per day
1	10
2	20
3	32
4	52
5	66
6	76
7	82
8	85
9	85
10	83



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In the above example, a rational producer maintains the production at 7 hours of working hours of machinery, which yield him/her 82 bottles per day. He/she cannot aim at the 8 or 9 hours, which brings the firm's maximum output. The reason is simple, if the firm aims at maximum, the machinery may get over stressed and lead to failure for the next day. Hence, the economists aim at optimum production (the best possible output) but not the maximum. However, for achieving this, one needs to work out the marginal revenue and marginal cost related to firm's output.

Let's take another example: If you are an athlete, if your maximum capacity to run is 10 km non-stop. Then, never aim at maximum. Instead, you can optimize at 9 km or 8 km. because your maximum is the limit that your body accommodates. If you drag that to extreme, then consequences could be unpleasant.

Therefore, it is a proven fact from the principle concluding that "**It's not maximum, it's the optimum"**

"Concentrate on the most important thing, not all things" says the *Ceteris Paribus*:

"Ceteris paribus" is a Latin phrase meaning "all else being equal" or "holding other things constant." It is regarded as one of the vital assumptions in framing economic laws.

In real life, there are many factors effects a phenomenon. All factors could be important, but seriously one factor shall be the most important/pivotal. One should concentrate on that pivotal factor but not all the factors, which effects a phenomenon.

There are many laws assumes this condition. Say for example, Demand of consumer is affected by price of the good, income of the consumer, price of the related goods (substitutes/complements), tastes, preferences, habits etc.,

Theoretically to understand the demand of a consumer, one must focus on all the factors it is being influenced by. However, it is tough to do so. It is impractical to get the data of all factors too. It becomes complex too.

That is the reason why, economists assume, *"Ceteris Paribus,"* meaning ""holding other factors constant." Tracking the most influential variable effecting the demand, it is the price. Availability of data on price is ubiquitous. Its simple. Its practical.

Economists are not ruling out the possibility of the influence of the other factors. They simply, assume the factors are constant. It implicates, holding the income of the consumer, price of the related goods (substitutes/complements), tastes, preferences, habits *etc.*, as constant.

Obviously, it can be derived that, *Ceteris Paribus*, Demand varies inversely with prices. This phenomenon is widely regarded as "Law of Demand." The assumption of *Ceteris Paribus* is seen in many laws.

Consequently, one can implicate that "Concentrate on the most important thing, not all things"

In real life, we have many activities that affect our daily lives. It is suggested that, Concentrate on the most important thing, not all things.

Let's take a team meeting as an example:

During the team meeting, everyone suggests dozens of ideas for improving the product. Instead of

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chasing all of them, the manager can choose the one change that would have the biggest impact for customers. By concentrating on the most important idea, the team avoided wasting time and delivered better results faster.

"No one can be made better off without making someone else worse off" says Pareto-optimality

Though it is hard to accept and tough to believe, one must learn the fact, "No one can be made better off without making someone else worse off."

Pareto-optimality is given by (named after) the Italian economist and sociologist Vilfredo Pareto (1848–1923). It is a concept of efficiency from economics. It is widely used in resource allocation, efficiency, game theory *etc*., It gives a direct implication that, to get some one better off, someone must face the worsen off. This can be implicated to situations or persons.

In real life, we all face a cross roads situation where we need to take one decision. If the decision is one, the another must perish. It is obvious.

Let us take an example of a student, who is equally interested in both mathematics and science streams after his X class board examinations. If he chooses mathematics, then the other path closes. The converse also holds good. It is apparent that, one option should be sacrificed to get another option. There is no point of regretting after making a choice.

Let us take an example of a government budget allocation:

A government has a fixed budget to spend on healthcare and education. It decides to allocate budget leading to obvious situations:

* Increasing healthcare funding would require cutting education funding.

* Increasing education funding would require cutting healthcare funding.

At a certain allocation, any change to benefit one area (healthcare or education) would harm the other.

Hence, it must keep into mind that, No one can be made better off without making someone else worse off. The sacrifice is inevitable. The art of choosing an activity lies in adjusting the quantum of sacrifice. This concept is often used in public policy and resource allocation.

Next time, when you see a freebie… try to empathise from government perspective. It gives a broader picture and underlying objective of the freebie/scheme.

Conclusion:

It can be concluded that, many life lessons can be retrieved from the economics. The generalization of human behaviour, which forms a law in economics can be retrospect as life lesson. It is a proven fact that, even academic laws can guide us in real life too.

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