

# Economics as a Social Science

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## **Abstract:**

*Social science is a field/body of knowledge that deals with and studies the reaction and behavior of society or people to particular issues, topics, circumstances, etcetera.*

*The social aspect of Economics is the preferences and problems dealt with by society. It is a science as it uses the scientific, interpretative, and analytical methods of analysis and hypothesis to understand human behavior.*

*Economics requires individuals to have a rational and gain-oriented approach, seeking maximum utility from an exchange utilizing their limited resources.*

*Economics is a social science owing to its closeness to other Social Sciences like Sociology, Psychology, Mathematics, Statistics, Political Science, and History. Therefore as Social Science, Economics impacts the everyday life of a common person by involving simple decisions like whether to buy a commodity or not on one hand and on the other, it impacts nations and involves complex economic factors like taxation, inflation, governmental policies, unemployment, foreign exchange etcetera, that impacts a country on a macro level. We must also note that the economic factors and policies of a nation also impact the political, geographical, and social aspects of other nations too.*

**Keywords:** Social Science, human behavior, economists, Economic Psychology, Econometrics, Quantitative Economics, Political Economy

**Objective:** Understanding Economics from a Social Science perspective, and its impact on individuals, society and nations.

## **Research Article:**

Social science is a field/body of knowledge that deals with and studies the reaction and behavior of society or people to particular issues, topics, circumstances, etcetera.

The social aspect of Economics is the preferences and problems dealt with by society. It is a science as it uses the scientific, interpretative, and analytical methods of analysis and hypothesis to understand human behavior.

Economics is a social science. It deals with the behavior of individuals and firms/organizations in response to the subject matter of Economics.

It applies assumptions and scientific analysis to build new theories. Economists use different methods for formulating principles, laws, generalizations, and theorems by studying, observing, and analyzing economic variables.

According to Alfred Marshall, Economics is "A study of mankind in the ordinary business of life; it examines that part of individual and social action which is most closely connected with the attainment, and with the use of the material requisites of wellbeing."

According to Lionel Robbins, "Economics is the science which studies human behavior as a relationship between ends and scarce means which have alternative uses."

These definitions indicate that Economics deals with human behavior in an economic setting. Economics requires individuals to have a rational and gain-oriented approach, seeking maximum utility from an exchange utilizing their limited resources.

The Consumer Theory is one such example that tells about the role and behavior of the individuals and their importance in the economic process. It studies consumers' tastes and preferences considering their budget constraints. In other words, it analyzes how individuals make choices to purchase goods and services, keeping in mind their income and budget constraints. As it is the study of consumers' preferences on a micro level, it comes under the scope of Microeconomics. But, understanding the choices of consumers is essential for the productivity of the overall economy, viewing its impact on the demand and supply curves, and on the Gross Domestic Product of a country.

The Consumer Theory makes few assumptions about human behavior, where a consumer is a rational being with certain tastes and preferences with an intention to derive maximum utility from an exchange and is subject to the Law of Diminishing Marginal Utility.

The consumer is the principal entity in an economy, as the performance of an economy is based on the demand curve of consumers. This displays the influential role played by society, organizations, and the government in the field of Economics.

According to Jacob Viner, 'Economics is what economists do.' The individuals who study Economics are known as economists. They analyze and understand the economic indicators like Gross Domestic Product (GDP), rate of unemployment, inflation, economic and fiscal policies of a nation, Purchasing Power Parity (PPP), the value of the currency, balance of trade, wages, governmental budget, credit rating, price indexes etcetera, and provide solutions and advice on the economic conditions across the globe.

Another example of human behavior is the Veblen Goods, here the demand for commodity increases when its prices rise, which appeals to the people due to its brand value, status, and exclusiveness. For instance, if a luxury car is affordable for most people, then the value of the car decreases, and its demand goes down. If it isn't affordable by many, then its value and demand both increase, owing to its exclusiveness.

Economics is a part of social sciences and is associated with other social sciences.

Sociology is a science, which deals with all the aspects of an individual's social life and society as a whole. It helps to understand the societal factors that influence an individual's choices in an economic environment.

Sociology is also a study of human behavior in different circumstances and organizational structures, which facilitates the interpretation of consumer economic behavior.

It tries to understand how social networks affect economic decisions and actions, how society influences the market conditions, etcetera.

For example, a certain lifestyle demands certain goods.

Economic Psychology plays an important role in understanding the consumer's thought pattern relating to the economic indicators which determine their preferences and judgment concerning the goods and services. It helps producers understand the buyer's assessment and inclination towards commodities in the market, which leads to higher profit margins. Economic Psychology makes predicting an individual's behavior for the producers, the government, and institutions more conducive.

Econometrics and Quantitative Economics comprises Mathematics which helps in deriving the scientific and analytical standpoint for framing theories and Statistics that helps in testing these theories by employing data collection and interpreting it. Mathematical Economics uses quantitative methods like calculus, algebra, probability, etc. to understand economic phenomena. It is employed for formulating policies, predicting future economic scenarios, and making better business decisions.

Political Economy is analyzing the impact of the political situation of a nation and determining policies, trade, and economic relations with other nations. Capitalism, Socialism, etcetera are commonly and widely known types of Political Economy. In a Capitalistic Economy, the production, consumption, and demand are different from a Socialistic/ Welfare State's Economy. Increased privatization of production is seen in a Capitalistic Economy. The economic goals of the nations with different ideologies would be different.

Finally, Economic history facilitates understanding the economic cause of historical events. It helps in understanding the structure of the economy in the past. For instance, the history of a

nation impacts its growth and development. The history of India inclusive of English Colonialism is essential to understand and study its present economic condition.

## **Conclusion:**

Thus, we can find that Economics is a social science owing to its closeness to other Social Sciences like Sociology, Psychology, Mathematics, Statistics, Political Science, and History. Therefore as Social Science, Economics impacts the everyday life of a common person by involving simple decisions like whether to buy a commodity or not on one hand and on the other, it impacts nations and involves complex economic factors like taxation, inflation, governmental policies, unemployment, foreign exchange etcetera, that impacts a country on a macro level. We must also note that the economic factors and policies of a nation also impact the political, geographical, and social aspects of other nations too.

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