

INTRODUCTION TO ECONOMICS

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Introduction to economics by Frank O'Hara

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FRANK O'HARA

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TO ECONOMICS**

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BY

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PREFACE

THE attempt is made in the following pages to present the elementary principles of economics clearly and in a small compass. The author trusts that this presentation in brief form will prove helpful not only to the general reader but also to the student who is making a beginning in economics and who often finds that the diffuseness of the text serves to obscure the principles which he is trying to grasp.

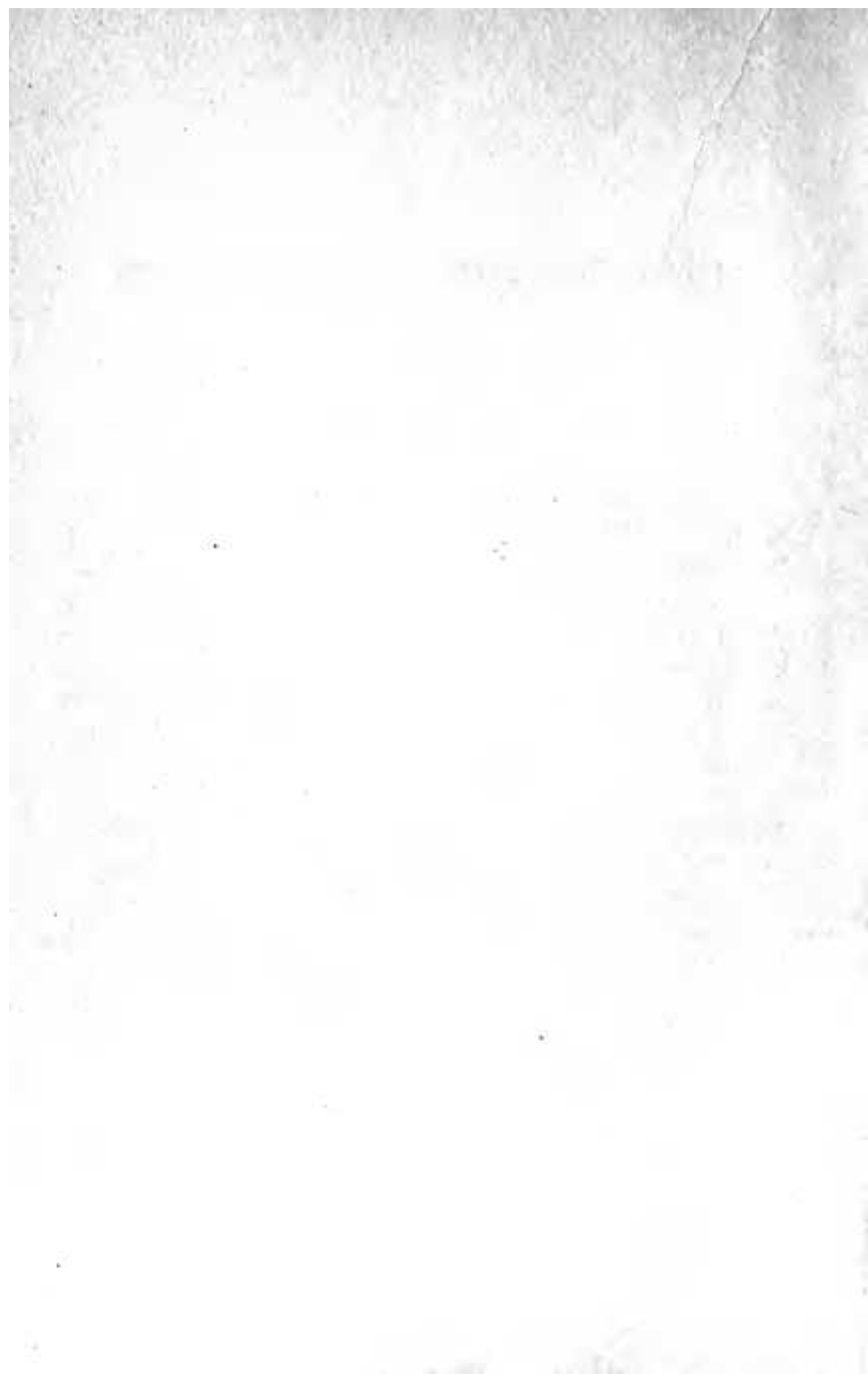
The present work is an *introduction* to economics. It attempts to lay the foundations for economic reasoning rather than to say the final word on the great present-day questions of economic policy. Ethical and practical problems are not ignored, but in the interest of clearness of reasoning it is necessary first to establish the positive facts and principles. It is of course unnecessary to say that the author is an adherent of the view that economics is an ethical science.

It is hoped that the questions at the ends of the chapters will be found useful in reviewing the matter. The references to works on economics have been made with the idea of bringing to the attention of the student a small number of readily accessible books which he will read. For this reason it was thought desirable to refer to a few standard general treatises rather than to a larger number of books of a more special character.

The debt of the present writer to the authors cited will be readily apparent to the reader but he is no less indebted to a great many others to whom on account of their number no reference could be made. It is a special pleasure to him to record his obligations to his former teachers in the University of Berlin, Professors Wagner, Schmoller and Sering. These obligations are much greater than a cursory reading of the book will reveal.

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INTRODUCTION TO ECONOMICS

CHAPTER I

DEFINITION

1. **Economic activities.** — Nature furnishes freely and without trouble to man many of the things that he needs. She furnishes him air to breathe, water to drink, and daylight in which to work or play; but there is another class of needs which nature supplies only on the condition that man co-operates with her efforts. Man must have food, for example, and this he can have in sufficient quantity to satisfy his need only if he is willing to assist nature in producing it. Clothing and shelter and a great many other things are to be had only on the same terms. Food, clothing, shelter, and other desirable things of which the supply is limited are called *wealth*, provided that they may be owned and that they are external to the owner. Thus there are four characteristics of wealth. A thing, to be wealth, must be desirable, limited in quantity with respect to the demand for it, appropriable, and external to the owner. The word "economic" has several meanings one of which is *relating to wealth*. Economic activities, therefore, are those activities which relate to wealth, or in other words, those activities concerned with things which men desire, things relatively limited in quantity, appropriable, and external to the owner. Economics or political economy is the science of economic activities.

2. **Economics is a social science.** — One could easily imagine a world in which economic activities were individual

activities in the sense that each person was active only in providing for his own needs. But the world in which we live is not such a world. Here economic activities are social activities. The individual helps other individuals to secure the things which they need, and they in turn help him to secure the things which he needs. Ten thousand persons assisted you in the preparation of to-day's dinner and you repay the obligation by working for ten thousand other persons who indirectly pay the price of the dinner to the first ten thousand persons. Our economic life is a life of coöperation. Economic activities are social activities, and economics or the science of economic activities is a social science.

3. Sciences are differentiated by point of view as well as by subject matter. — Here is a teacher giving a music lesson to a class of children. This is a social activity. Within the province of which of the sciences does it fall? Our answer depends upon the point of view from which we regard it. Are we interested in knowing whether or not the teacher's methods of instruction are sound? If so, our scientific study of the activity falls within the field of the science of education. If we desire to know the influence of the music on the mind of the children, our interest is psychological. If, however, we consider the teaching as a means by which the teacher earns her livelihood or as a preparation for the children to earn their livelihood, or as a means by which their desire for music is gratified, our interest is economic, and our study falls within the boundaries of economics, and we speak of the activity as an economic activity. The fact remains that it is more than an economic activity, but for the time being we are interested in it only as an economic activity. But we shall never be able to understand perfectly the activity of the music teacher as an economic phenomenon, unless we understand it also as more than an economic phenomenon. Certain human activities make up the subject matter of