# RETHINKING ECONOMICS

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The textbook definition of economics is that economics is ‘a social science directed at the satisfaction of needs and wants through the allocation of scarce resources which have alternative uses’. It is the study of the ‘efficient allocation of natural resources to maximise the welfare of society’. It is then, rather ironic, that the mainstream approaches within the field do not take a holistic view of the processes that ensure human welfare.

Economics has two main branches, microeconomics and macroeconomics. Microeconomics is concerned with the theory and analysis of micro-units of the economy like individuals, households and firms – while macroeconomics is the study of aggregates, like national economies. Fundamental concepts of microeconomics and macroeconomics inform research in the field and the flaws besetting these fundamentals creep into all branches and research. Why do I say that economics provides a limited view of what constitutes societal welfare? Let’s start with the fundamental unit of economic analysis – the economic agent. The economic agent of consumer theory is a rational agent whose aim is to maximize his utility (satisfaction) given a budget constraint. His utility depends on the consumption of goods and services; the more goods and services he consumes, the higher the level of utility he attains. His budget is constrained by his income and the prices of the goods and services that he consumes. This agent can sell his labour in exchange for a wage in the market. His income depends on the number of hours he engages in the labour market multiplied by the per-hour wage rate. This agent divides his 24 hours between paid work and leisure. Equilibrium is achieved by this agent between paid work and leisure depending on the existing wages.

The assumptions underlying the specifications of this economic agent are as follows.

1. The agent is an able-bodied adult of working age.
2. Agent can sell his labour in exchange for a wage.
3. The agent divides his time between paid work and leisure.

These specifications exclude children, people with differently abled bodies, people with disabilities due to old-age and physical and mental illnesses, and women who by virtue of their domestic and childcare responsibilities cannot divide their time only between paid work and work. These exclusions are not trivial. The majority of the world population is not able-bodied adult men. There are more women, children, infirmed and the elderly in the world than there are able-bodied men.

Beyond the agent, the processes through which human needs are met and thereby their welfare ensured are also not explored in totality. The theory postulates that the able-bodied adult man exchanges his labour in the market for a wage. This agent then buys goods and services from the market, satisfying his needs and ensuring his well-being. The theory does not dwell on how the agent became an able-bodied adult man; he is assumed to have come out of thin air. No one nurtured and raised him and there were no processes preceding his entry into the labour market. Not only was he never dependent on anyone, he will not be dependent on anyone in the future either. Moreover, the economic agent is assumed to maximise only his own utility through consumption; the agent has no children, no family, and no household. What processes allow children to satisfy their wants and needs? How do people who cannot work for wages satisfy their needs? How do people who are dependent on someone else’s earned income attain their desired level of utility?

Why should it matter? An economist would retort that models are supposed to be simple. Except that these omissions matter for the welfare of all those excluded. Since the agent is assumed to be an able-bodied adult man, policy analyses foregrounded in mainstream theories overlook the welfare of women, children, the elderly, the differently abled, and the infirmed. Such analyses do not consider the effects policies and policy changes will have on these groups.

Take the example of women. Gendered distribution of domestic and care work means that, unlike the agent of economic theory, women must divide their time between paid work, care work, domestic work and, if they are lucky, leisure. Economic theory ignores women's work and the constraints on their participation in paid work by assuming that agents divide their time between paid work and leisure. During economic crises and rising prices, women employ multiple strategies in domestic work to ensure that their household's needs are met. They may replace purchased meals with home-cooked meals to cut household expenditures while keeping the amount of food available the same. They may lay off domestic help and hired caregivers taking over added responsibilities. They may start stitching and knitting their clothes and clothes for the children at home. On the one hand, these strategies have implications for women's ability to participate in paid work, and their lifelong incomes and welfare that a conventional analysis will ignore. On the other hand, women's labour produces goods and services for the satisfaction of their household needs which is not reflected in conventional welfare indicators. Moreover, what is further ignored is that by employing these strategies women effectively subsidise the state and its markets. This can be understood in two ways. One, able-bodied adult men exchange labour in the market while being sustained by goods and services produced for 'free' by women's domestic work. If they purchased all these goods and services from the market (cooked food, cleaning, laundry, household management, childcare, elderly care, etc.), they would require higher wages. Second, women also subsidise the state by providing childcare, elderly care and care of the ill members of their household, services that otherwise the state ought to provide. These subsidies to markets and the state are at the cost of their own well-being. Women are not remunerated for their work, and wages earned by able-bodied adult men undertaking paid work belong to them while women do not receive any employee benefits or pensions.

Similar omissions mar macroeconomic analyses. For example, the aggregate economy's health is measured by the Gross Domestic Product (GDP). GDP is the market value of all the goods and services produced in the economy in a year. The GDP is supposed to indicate how well the national economy can ensure the welfare of society. However, GDP does not include the value of all the goods and services produced by people in an economy. It only includes goods and services exchanged in the market. Hence, the GDP does not include in its valuations the goods and services produced by women inside their homes. All individuals in the economy especially children, the elderly, the sick and the disabled receive these goods and services and care and benefit from them. If these benefits add to well-being but are not counted in the GDP, then the indicator is naturally misleading.

Economics to a limited extent is adjusting to these criticisms. Several branches and sub-fields exist that are more cognisant of the realities of the world. However, the critique remains worth re-emphasising because the fundamental theories remain the same. The fields and sub-fields that attempt to broaden the purview of the field remain at the margins of the field. These continue to be considered 'softer' economics. Mainstream theories continue to be taught in universities. This results in the blindness of policy analyses and policy prescriptions to the needs and wants of the segments of societies ignored by mainstream economic theory. And as stated earlier, the world is not just inhabited by able-bodied adult men whose needs and wants are to be satisfied. For the 'maximisation of the welfare of society', fundamental economic theory needs to be cognisant of the ways that women, children, the differently abled, the elderly and the sick satisfy their needs and wants.

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