

What is economics about?

Economics is the study of how wealth is created and distributed. In practice this means finding out about the demand for goods and services and how they are supplied.

The main political issue in economics is deciding how to control the amount of profit that is made and who gets to keep it. When the economy is left

to its own devices in a poorly regulated ‘free market’ the rich get richer, the poor get poorer and nature and the environment suffers.

The main policy argument is about how much governments should ‘regulate’ the economy so as to ensure social justice and that nature and the environment prospers.

Who drives the economy?

The economy does not just happen. It is driven by people taking action. It is useful to think of three types of actors –

Table 1: the three economic sectors

	Type of business	Purpose	Actors
public sector	national and local government industries and service providers	working for the greater good of everybody in the country – local and national	Led by national and local politicians, managed by central and local government bureaucrats
private sector	transnational corporations (TNC) through to small and medium sized, local enterprises (SME)	capitalist enterprises making profit for their shareholders	Led by capitalists and managed by entrepreneurs
social sector	community organisations and businesses	working for the greater good of local communities and marginalized groups	Led and managed by people in the locality

How have economic systems changed in recent times?

Recent history has shown the collapse of the **communist system** where the public sector was huge and the private sector was wiped out.

Many governments still operate a socialist, **mixed economy system**. The idea is to have a good balance between the public and private sectors. The government owns some of the key industries and services and makes rules and regulations about how the private sector should operate the rest. Many governments have a Welfare System which meets the needs of the most vulnerable members of society.

Since the 1970s we have seen an expansion of the **free market capitalist system**. This has involved a gradual withering of the public sector (through privatisation and deregulation¹) and the expansion of the private sector (through globalisation and de-nationalisation)

None of these grand theories paid much attention to **the social sector and the social economy**. But it existed and was significant in the lives of ordinary people. It is, and always has been, huge. The difference these days is that its importance has been recognised and the politicians now want to make better use of it.

Note that there is an increasing awareness of the **triple bottom line**. This means that organisations should be judged not just by how much profit they make for their stakeholders but also by the social and environmental consequences of what they do. Ways have been developed for doing social audits and environmental audits of organisations. This links to ideas about **ethical investment**.

¹ Commonly known as Thatcherism and Reaganomics