

What Is Economics?

Let's start with what economics isn't. Economics isn't a meal ticket to make lots of money in the stock market, although economics helps you understand how stock markets and other markets work. Economics also isn't a business degree, although economics teaches important business skills. Economics, first and foremost, is a social science. As such, economics helps to explain the mysteries of how people and society operate.

Economics is defined as the study of how people choose to use their scarce resources in an attempt to satisfy their unlimited wants. In other words, we have unlimited possibilities in life to do whatever we want, but we are limited by the resources we have to do these things. Think, for example, why you don't own a ferrari or a porsche (if you do, congratulations). You probably can't afford to purchase these expensive automobiles, or even if you can, this is not the best use of your money. You may want a ferrari, and in fact there is no prohibition against your buying a ferrari. But you don't have the resources--namely, money--to buy a ferrari.

Take this one step further. Why don't you go to the movies every night, or go out dancing until 2 AM every evening? You may want to, even prefer to, but you can't because you have homework, or a job, or both. Even if you could financially afford this lifestyle, your time is a scarce resource. You need to spend time studying or working which prevents you from movie watching and dancing.

Economics builds scientific models to explain why people behave the way they do. And economists use these models, in conjunction with their observations of the world, to analyze and explain why things happen the way they do.

Does this sound boring? It shouldn't. Again, economics is about solving problems. Even more, economics is about finding the truth, even if the truth may go counter to what you, and most people, may intuitively believe. As one economist put it, economics is about paradoxes, about providing answers to riddles that are contrary to accepted opinion yet are true. Think about a few such paradoxes:

Supermodels and athletes may be better off bypassing college for professional work than by attending college. Why? The potential income they forego by attending school is greater than the benefit a college degree brings to a supermodel or star athlete. This is not to say that education is bad, or supermodels can't afford college; rather, it simply says that the allocation of time is better spent working than by attending school.

Traffic jams can be prevented. Traffic jams seem to be a necessary evil, right? What if drivers needed to pay a toll, say \$1, during busy rush hours. This would certainly prevent some drivers who didn't need to drive from driving during rush hour, and traffic congestion would lessen. In economics, driving is a want and freeways, time, and money are resources. If we could better allocate these resources, then we could lessen traffic.

It's kind of fun, isn't it? This is what economics is all about--finding answers to problems that are not always as they seem to be.

Why Major in Economics?

Why major in economics? As discussed above, economics teaches valuable skills and problem-solving techniques that will help you solve the mysteries life presents, not to mention be the hit of cocktail parties. But there's another reason. Namely, jobs, and decent-paying ones at that. In addition to academia and government, economists work in all facets of the business world, including manufacturing, mining, banking, insurance, and retailing. Not to mention sports, recreation, entertainment, and technology.

Why do businesses need economists? First, economists are trained to think analytically and critically to solve complex problems. Second, and relatedly, economics is a social science, and as such economists are trained to recognize human behavior in relation to work, production, distribution and consumption, the fundamental operations of most businesses.

What Jobs Are Available to Economics Majors?

As we discussed above, economists are prized assets in the workforce. Let's examine in more detail the where economists find jobs.

Business Economists

Businesses began to hire economists in increasing numbers shortly after World War II, and the economics profession has grown rapidly ever since. Both large and small firms hire economists. Large firms tend to have whole divisions dedicated to economic research, with a number of economists addressing specialized areas. Smaller firms, on the other hand, tend to hire only one or two economists to address a number of general areas: planning, forecasting, finance, and other duties.

The role of the economist may differ from that of the manager. Economists analyze data and provide information; the manager uses this information to make decisions. The public profile may not be there, but the power of the information is great. This may explain why so many corporate CEOs rose to their positions through the economics division.

Where do business economists tend to spend their time on the job? Take a look at the following table:

Job Task	Percentage of Time
Forecasting and analysis of U.S. economy	21%
Industry forecasting and analysis	24%
International forecasting and analysis	14%
Product forecasting, microeconomics	10%
Domestic policy analysis	8%
Other areas of analysis	14%
Administration	9%

Economists in the Government and Academe

Almost all government agencies hire economists, and most high schools and colleges hire economics teachers. Often, an advanced degree, whether a master's or doctoral degree or a teaching certificate, is needed for these jobs, although this isn't always the case.

In the federal government, both Congress and the Executive Branch have economic advisors. For example, the president has the [Council of Economic Advisors](#) and Congress has the [Congressional Budget Office](#) to supply economic analysis.

As well, most departments have agencies established to perform economic research and analysis. For example, the Labor Department relies on the the [Bureau of Labor Statistics](#) to act as the principal fact-finding agency in the broad field of labor economics and statistics. The Commerce Department relies on the [Bureau of Economic Analysis](#) to act as the nation's economic accountant, preparing estimates that illuminate key national, international, and regional aspects of the U.S. economy. The Department of Agriculture relies on the [Agricultural Research Service](#) and then there is the [Federal Reserve System](#). The list goes on! Many state and local governments also hire economists to perform similar tasks.