

IS SCARCITY A GOOD OR A BAD?

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Our infinite wants, the finiteness of our resources and the bad job we too often make of allocating them efficiently and optimally - lead to mismatches between supply and demand. We are forever forced to choose between opportunities, between alternative uses of resources, painfully mindful of their costs. This is how the perennial textbook "Economics", authored by Nobel prizewinner Paul Samuelson and William Nordhaus, defines the dismal science: "Economics is the study of how societies use scarce resources to produce valuable commodities and distribute them among different people."

Scarcity of most natural resources (a type of "external scarcity") is only theoretical at present. Granted, many resources are unevenly distributed and badly managed. But this is man-made ("internal") scarcity and can be undone by Man. It is truer to assume, for practical purposes, that most natural resources - when not egregiously abused and when freely priced - are infinite rather than scarce. The anthropologist Marshall Sahlins discovered that primitive peoples he has studied had no concept of "scarcity" - only of "satiety". He called them the first "affluent societies". This is because, fortunately, the number of people on Earth is finite - and manageable - while most resources can either be replenished or substituted. Equally, it is true that manufactured goods, agricultural produce, money, and services are scarce. The number of industrialists, service providers, or farmers is limited - as is their life span. The quantities of raw materials, machinery and plant are constrained. Contrary to classic economic teaching, human wants are limited - only so many people exist at any given time and not all them desire everything all the time. But, even so, the demand for man-made goods and services far exceeds the supply. Scarcity is the attribute of a "closed" economic universe. But it can be alleviated either by increasing the supply of goods and services (and human beings) - or by improving the efficiency of the allocation of economic resources. Technology and innovation are supposed to achieve the former - rational governance, free trade, and free markets the latter. Operations research, mathematical modeling, transparent decision making, free trade, and professional management - help better allocate these increased resources to yield optimal results.

To sum, though financial and human resources as well as content may have remained scarce - the quantity of intellectual property goods is potentially infinite because they are essentially cost-free to reproduce. It looked like a virtuous cycle. But the abolition of scarcity implied the abolition of value. Value and scarcity are two sides of the same coin. Prices reflect scarcity. Abundant products are cheap. Infinitely abundant products - however useful - are complimentary. Consider money. Abundant money - an intangible commodity - leads to depreciation against other currencies and inflation at home. The new economy caused a massive disorientation and dislocation of the market and the price mechanism. Reverting to an economy of scarcity is our only hope. If we don't do so deliberately - the markets will do it for us, mercilessly.