

MICROECONOMICS AT WORK EXERCISE

ECONOMICS AS A SCIENCE

REFERENCE: 'A human, not an economic disaster', (by Tim Hughes), *The Courier-Mail*, 10 January 2005, p. 17.

CHAPTER RELEVANT TO THIS EXERCISE: 1

CONTEXT

Economics is held to be a scientific study of 'what is' as distinct from what 'ought to be'. A corollary of this is that economic theory can be applied to, and shed light on, phenomena that relate to philosophical and humanist issues but also to aspects of human life that many – in some cases almost unanimously – regard as totally and unequivocally undesirable, unpleasant or regrettable. Examples are crime, gambling, prostitution, war ... and natural disasters. The application of economic theory in analysing these phenomena is frequently considered to demonstrate the aridity, even 'heartlessness' of economics.

This article is a brief analysis of the economic consequences of the December 2004 tsunami in Asia and raises questions about the status and propriety of the discipline.

QUESTIONS

1. What is your reaction to analysing the economic effects of the tsunami?
2. What is the principal basis for the suggestion that the tsunami was 'not an economic disaster'?
3. Analyse the proposition that this analysis in terms of *aggregates* masks some significant economic consequences.
4. Identify some second-order economic effects which may not be reflected in the immediate consequences.
5. Do you see any merit in analysing the economic consequences of phenomena such as war or natural disasters?