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## **Economics for the Citizen, Part 1**

**by Walter Williams**

Last fall semester, I didn't teach for the first time in 37 years. No, I haven't retired. It was my semester-off reward for two terms as department chairman at George Mason University. A break is well deserved after a chairmanship — a job not unlike that of herding cats.

During fall semesters, I typically teach our first-year Ph.D. microeconomics-theory course. Out of a love for teaching, I've decided to not completely take off but deliver a few lectures on basic economic principles to my readership. We'll name the series "Economics for the Citizen."

The first lesson in economic theory is that we live in a world of scarcity. Scarcity is a situation whereby human wants exceed the means to satisfy those wants. Human wants are assumed to be limitless, or at least they don't frequently reveal their bounds. People always want more of something, be it more cars, more food, more love, more happiness, more peace, more health care, more clean air, or more charity. Our ability and resources to satisfy all those wants are indeed limited. There's only a finite amount of land, iron, workers, and years in a lifetime.

Scarcity produces several economic problems: What's to be produced, who's going to get it, how's it to be produced, and when is it to be produced? For example, many Americans, and foreigners too, would love to have a home or vacation home along the thousand miles of California, Oregon, and Washington coastline. Shipping companies would like to use some of it as ports. The U.S. Defense Department would like to use it for military installations. There's simply not enough coastline to meet all the competing wants and uses. That means there's conflict over coastline ownership and its uses.

There are several methods of conflict resolution. First, there's the market mechanism — let the highest bidder be the one who owns and decides how the land will be used. Then there's government fiat, where the government dictates who gets to use the land for what purpose. Gifts might be the way whereby an owner arbitrarily chooses a recipient. Finally, violence is a way to resolve the question of who has the use rights to the coastline — let people get weapons and physically fight it out.

At this juncture, some might piously say, “Violence is no way to resolve conflict!” The heck it isn’t. The decision of who had the right to use most of the Earth’s surface was settled through violence (wars). Who has the right to the income I earn is partially settled through threats of violence. In fact, violence is such an effective means of resolving conflict that most governments want a monopoly on its use.

Which is the best method to resolve conflict issues surrounding the questions of what’s to be produced, how and when it’s produced, and who’s going to get it? Is it the market mechanism, government fiat, gifts, or violence? Before you attempt an answer — which I’ll give in the next lecture — be advised that it’s a trick question that easily traps many of my teeny-bopper sophomore students and even a few graduate students.

I personally believe that economics is fun and valuable. People who say they found it a nightmare in college just didn’t have a good teacher-professor. I became a good teacher-professor as a result of tenacious mentors during my graduate study at UCLA. Professor Armen Alchian, a very distinguished economist, used to give me a hard time in class. But one day, we were having a friendly chat during our department’s weekly faculty/graduate-student coffee hour, and he said, “Williams, the true test of whether someone understands his subject is whether he can explain it to someone who doesn’t know a darn thing about it.” That’s a challenge I love: making economics fun and understandable.

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**This article was originally published in the March 2005 edition of *Freedom Daily*.**