

# ON THE PROBLEM OF SCARCITY

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## Abstract

A radical change had occurred in the definition of the economics in Central and Eastern Europe at end of the 80's. Since then, the theoretical economists focused their attention on the concept of scarcity. This shift was strongly connected to the theoretical turn that pointed from the political economics towards the economics in the Western sense. In the paper, firstly, we argue that even the definition of the economics in the Western sense was not always attached to the concept of scarcity, and the scarcity was part of the economic thinking only in the 20<sup>th</sup> century. Secondly, we emphasize that the adaptation of the economics in the Western sense cannot be successful in Central and Eastern Europe based merely on the concept of scarcity. The scarcity, and particularly its Central and Eastern European interpretation will not promote the adaptation of the Western managerial culture, on the contrary, it preserves the bad technical-managerial traditions whose liquidation was the real sense of the transition. Finally, we make a suggestion for a new approach of the definition of the economics due to the above mentioned. The examination of the philosophical basis of the economic thinking is an indispensable part of this approach. Our standpoint is that the economics - as every science - has its own philosophical basis, and dealing with this basis is the integral part of the theoretical economics. The economics of Central and Eastern Europe has a certain tradition that banks on it and this can be the comparative advantage of the economic research undertaken in this paper. The rebirth of the political economy in this sense is a perceptible tendency in the region.

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## I. Introduction

The definition of a discipline cannot be irrevocably finished as every discipline is changing continuously due to its true nature, and the basic issues of the discipline are raised repeatedly by the various actual results. Contrary to the idea of the neo-liberalism, which has been present lately in the Central and Eastern European region, the essence of a science consists not only in the examination of the particular problems, but in the consequent thinking that touches the core. It is a positive fact that this approach has been lately pushed into the background that occurred due to the special geopolitical model of the transition development of the region. The thinking of the economists – and thus the thinking of a significant part of entrepreneurs – has been determined by the idea, which was accepted “mechanically” by the Western institutions, without understanding their ideal-theoretical basics. To some degree, this acceptance might be considered a successful strategy in the last 15-20 years; assuming that the kind of global political and economic pressure did not emerge that time, it would have relied on the autonomous and creative action. However, since the beginning of the 21<sup>st</sup> century, new global political and economic tendencies have gained momentum that is referred to as the “New World Order”. A region or a nation can be successful in this framework only by exploiting its creative power. For the economists, participation and attendance in the global science community is part of the creative work. Hence, from this point of view the debates on the core theoretical problems in the region cannot be given up as well.

The debates and the process of restatement of the basic concepts of economics can be observed not only in the Central and Eastern European region. It is generally true that the “academic economics” is flourishing. Nobel prize-winners are publishing theoretical writings on the issue, in which they explicate that the concept of the discipline, which characterized the last 20 years, is not adequate anymore. The economists should have social responsibility and commitment to an economic policy in its broader term. They are referring to “commitment” as to the upgrade of the moral and ethical standards of the society. They claim that the economic school that was typified during the last 20 years, referred in the paper as “Neo-liberalism”, has been incorrect in the sense that it banked on indifference towards the society, it used the “methodological individualism” in its strict, narrow sense, and excluded social problems and moral questions from the circle of the economic investigation. Only one thing can be added to the opinion of Joseph Stiglitz and Edmund Phelps: bringing the economics to book for merely the morality in it is not sufficient. In order to exceed the neo-liberal standpoint, a resolution of moral questions by professional use of instruments of economics is necessary. In this process, it is unavoidable to unfold the moral-ethical basis of the development of the instruments. In social sciences, the instruments are not independent from the object of the work. It is not acceptable that these instruments be used in any cases, irrespective of their value-definiteness. Exploration of moral-ethical basis of economics is the job of the history of economic ideas, thus, in this paper we will make an analysis from the point of view of this discipline. We will prove that in fact the economics has always searched for the means of realization of the moral order. Therefore, the turn occurred with the emergence of

the New World Order is not against the tradition of economics – moreover, the turn is in accordance with them.

Certainly, the history of ideas in itself is not enough; its development is needed in a creative way. In the last years, the world was heading towards this direction. The history of ideas in itself is not enough, as the consequent joint application of values, security, freedom, and only the New World Order that evolves these days can realize welfare. In other historical periods, these values were contradictory and showed up in a conflicting manner. The economics have been mapping this periodicity – the history of economics was reviewed constantly based on the changing values. In terms of the New World Order, this periodicity breaks off, meaning that every economic tradition can be organized in a uniform system. This kind of ambition can be traced behind the debates on the definitions. Thus, it is not sufficient to concentrate on one side or the other.

The organization of the traditions into a uniform system has a direct effect in a region that can promote the region's alignment to the world's highest standard in the field of ideas. This is the elimination of the borderline between economics and political economics. The partition of economics into political economics and economics was the oppressive heritage of the 20<sup>th</sup> century. The economics occupied the position of a value-free science, while the political economics undertook the examination of elemental values in the economics, but this operated in a backward realm, where the Western devices could be applied only partially. These two tendencies held only a limited and tangential debate with each other in the 20<sup>th</sup> century. They did not speak a uniform language, they partly used a different reference point, and this led to the situation, where the traditions were incompatible to each other. Only a little group showed a performance that gained an acknowledgement on both sides. For instance, one of the Hungarian philosophers, Gyorgy Lukacs belonged to this group. This diversification was necessary that times, due to the Cold War and the emergence of the Weimarian model, and there was no opportunity for cooperation among the tendencies. However, lately, a new situation arose. The consistent global political and economic order made it possible, and simultaneously forced the standardization of the theoretical heritage. We have to add two comments to this question. Firstly, equality should not be asserted between the theory of the political economy and the Central and Eastern European countries' practice. Naturally, it cannot be claimed that there is no connection between them, but theory could be criticized only by using theoretical perspectives as well. It is not a criticism that a transformation occurred. At best, the theoretical processing of the transformation may promote the critical processing of the theoretical model of the political economy. Secondly, the present political economy in the Western economies, which plays an increasingly important role there, is not covering the entire Central and Eastern European discipline, although one would like to point out a bigger difference in Hungarian economies from this point of view, than it really exists. The American tradition of the political economy examined the effect of the ethical-cultural contexts on the economy and politics likewise, but it was altered by the neo-liberalism. Opposite to the neo-liberalism, American and Eastern political economy in the 20<sup>th</sup> century represented the standpoint according to which politics was primary against economy.

That is the reason why we examine in detail the tradition of the classical political economy. A significant number of the Hungarian economists – we assume it is true for the entire region – have studied the main concepts of economics on the ground of the classic tradition (and not just the Marxist theory). However, after the collapse of the Eastern Bloc, the debate about the basic concept of Western and Eastern economics was missing. We would like to contribute to this through our paper. We are concerned also about its importance in long-term run, because the notion of scarcity is ambiguous. From one vantage point, there is a democratic meaning of scarcity, and it can be summarized by the opportunity cost. However, there is a wrong interpretation of scarcity – the insufficiency of resources –, which comes from the concept of dismal science. As we can observe, there is no clear distinction between the two approaches, and this task is part of our target.

## **II. The scarcity in the classic political economics**

### **II. 1. The Ricardo Model**

The classical political economy has placed the production, the distribution, the exchange and the consumption of material goods into the centre of the investigation, except the scarcity. Smith, Ricardo, and even Marx took as a starting point the fact that there is a need for a particular circle of the material goods in order to enforce the fundamental values of a society, such as freedom, equality, or fraternity. The theoretical development of the economic institutions, the incentives and the market mechanisms that are necessary to secure these values, belong to the political economy. In that period, the production of the material goods demanded a big mass of physical work, thus the political economy researches were aimed at maintaining that kind of physical work. This was a controversial approach, as Marx depicted it in “The Capital”. The homogeneous, monotonous physical work excludes the realization of values; hence, the principles can work only controversially. The servility of the many was necessary for the freedom of the few. Although the philosophers of the Enlightenment defended the denial of slavery and followed the spirit of freedom, there was not any real technical or economic opportunity for the formation of a theoretical and practical system that would have been able to get rid consistently of the tradition of slavery. The economic form of slavery took shape in the era of the classic capitalism.

The relations in the economy took shape in the framework of wage slavery, which did not ensure the freedom of choice, did not allow the multitudinous evolvement of the creative effort, and did not create prosperity for the poor. Ricardo, as the normative economist of the era, was the first one to expound the “iron law of wages” (although he did not use this expression himself, this appeared only later, in the language of the labor movement). According to “the iron law of wages”, if a worker gets more than what is necessary to his physical reproduction in a narrow sense, it contradicts the economic rationality and laws. The determination of these goods belongs to the economic policy and not to the worker, for the one dealing with economic policy has to know what kind of goods the workers may consume and which not. Ricardo is very consistent in this issue: only those kinds of stocks are needed that support the physical work, the others set back the production.

Although there is no prosperity in the working class, after all the scarcity is not a determining category from Ricardo's point of view. The scarcity does not result from poverty, for Ricardo perceives that scarcity includes the question of choice between the necessitous circumstances. On the other hand, scarcity is the integral part of Ricardo's system because the choice of the wider social groups is not allowed, because it would threaten the economy's organization procedure, which is based on the physical work. The exclusion from freedom, from its actual realization or from the choice is the inevitable concomitant phenomenon of the classic capitalist model. Ricardo does not offend against the rules of the scientism in that case, because under some circumstances the protection, and possibly the extension of the achievable freedom assumed the maintenance of big social groups' denial of rights.

We have to add that this is not a reason to use Ricardo's tradition for the justification of the denial of rights in a totally changed technical-economic environment. In the Hungarian economics, there is a strong support of the view that the unemployment and the low level of wages is a condition for competitiveness. The system of the argument lying behind this idea is based on Ricardo's view, and this is unacceptable today.

The issue of scarcity is brought up in connection with Ricardo's work on land renting. He proved by examining the differential land rents that profits originating from lands of better than of worst quality made it possible for the landowners to realize incomes above the average profit. This income is the land rent, and the source of the rent is the monopoly right on the lands of better-than-worst quality. One of the basis of Ricardo's argumentation is the distinctiveness of the lands (he traced this back only to the fertility differences, but later researches manifested the rent forming power of logistic differences etc.). Anomalies of social distribution arose from the differences of physical conditions, so the landowner enjoyed an unduly higher income compared to the industrial capitalist. Later Marx called this phenomenon "the monopoly of the object of management". The organization of the agricultural production in the framework of the landowners system, made the appearance of land rent possible. For this reason, Ricardo supported the abolition of grain customs, which would have increased the competition, and would have reduced the level of land rent.

The same phenomenon may not appear in the industry, since there is no opportunity to monopolize the resources. In that period, the source of productivity in the industry was the machine itself (and the production of machines is an independent section in the history of economics, as Marx noticed it in "The Capital"), what makes possible the equation of yields in the industry and the function of the average profit rate.

Ricardo's judgment on land renting is unambiguous. In his work, he does not claim that it should be brought to an end and that the profits should be taken away (his standpoint differs from the points of view of the later movements, for example Henry George wanted to take away the land renting right from the landowners in North America). He did not want to take the rent away, but intended to warn the landowners about the use of surpluses from "monopolisable" resources. The farming monopoly is sustainable only if the farming is done according to the rules of the capitalist production. Contrary to the bad, feudal system of production, Ricardo is interested in a landlord modernization, where the landowners make their work according to the rules of the capitalist, industrial production.

This statement is proved by other conditions, which were favorable for the emergence of scarcity. Namely, according to Ricardo, the ground rent existed as well in the case of lands of different quality, because there was a demand for grain cultivation on the worst yielding lands as well. The reason for this is that the grain is a special stock, a fundamental element of existence, the indispensable device of the maintenance of the physical work. The landowners do not develop this specialty; it is not their virtue, but the consequence of the entire socio-economic system. However, it does not pursue that the landowners' farming should not be organized keeping this principle in mind. The cultivation of grains or grapes is not an arbitrary decision of the landowner, but the evidence of the social responsibility of his efficient farming as well.

The chapter concerning rents in H.R. Varian's textbook about "Intermediate Microeconomics" supports a certain kind of perpetuation of the Ricardo Model. In this chapter, Varian is seeking the possibilities for reconciliation of the contradiction that exists between the operation of modern economies, in which profit rates differ significantly, and the concept of perfect competition required by the theory. Varian's solution is that in fact the profits of the big companies follow the logic of rent formation. According to his argumentation, since the logic of economic policy is determined by the deregulation, and generally by the stimulation of competition, the profit rates may not differ significantly from each other. The difference may be rent-like income only. It is even more interesting, as he marks the source of the rent. According to him, the main source of the rent is the talent in the modern economy. It can be deduced from Varian's model that the correct production means the exploitation of the talent at the highest possible rates. Taking into consideration the theoretical issues of economics in these days, it is straightforward that Varian does not connect this finding to Ricardo's.

## **II. 2. Thomas Robert Malthus view on scarcity**

Thomas Robert Malthus is another remarkable person of the classical political economy who dealt with scarcity. The first suggestion of scarcity is connected to Malthus 20<sup>th</sup> century economics as well, due to his work entitled „An Essay on the Principle of Population“. Malthus formulates the law according to which the population increases at a geometric rate, whereas the quantity of grain produced by this population grows according to the arithmetic progression. Both of them exist in natural contexts; in these circumstances, we could infer that the population tends to become poorer and poorer and that the strengthening of scarcity constitutes a natural law.

In fact, Malthus's conception was a criticism to the work belonging to William Godwin, „Enquiry Concerning Political Justice“. In search for the reasons of the French Revolution, Godwin claimed that the king's inadequate economic policy brought about famine, which led to the Revolution. Opposite to this, Malthus considers the famine and scarcity to be the results of the incorrect ethical behavior of the population, and the revolution is the evidence and consequence of this immorality. According to Malthus's argumentation, the natural constraints are valid equally for the animals and

for the people. However, while the natural constraints prevail violently in the wild life, people are able to avoid them by using their senses. By setting up moral laws, man prevents the violent emergence of natural constraints. If the folks do not obey these moral laws, then the nature will regulate the functions of societies by violent means. Using the former example of scarcity, if people are not able to follow the biblical commands relevant to the sexuality, then overpopulation will cause poverty, famine, epidemics and wars. According to Malthus, the society may blame nobody else for these results but itself.

Malthus, from whose ideas Charles Darwin drew much, brings a strong connection with the immorality and the scarcity. He claims that the different natural disasters are the means of ethical upbringing. The criticisms to this perspective were bidirectional. By the first group of critics, it was proven that the man is able to break out from the framework of scarcity, since the division of labor or the use of machines raises the productivity; this refutes the context concerning the arithmetic progression. The second group of critics objected that not the individual alone is to be blamed because of the ethical imperfection; the responsibility of social-economic institutions should be raised as well. However, Malthus was not criticized for the interpretation of the proper production as a political-ethical context, and for the connection made between the concept of scarcity and the requirement of proper production as well.

### **II.3. The Marxist standpoint**

Marx tackles scarcity in „The Misery of Philosophy”, where he debates the economic views of Proudhon and the contemporary French socialists. Proudhon originates the value of goods from their useful or abundant character. On the apropos of this, Marx writes that he has simply forgotten about demand, and that a thing can be scarce or abundant only in so far as it is in demand. The moment he leaves out demand, he identifies exchange value with scarcity and use value with abundance. In reality, in saying that “who’s utility is nil and scarcity extreme are of incalculable worth”, he is simply declaring that exchange value is merely scarcity (<http://www.marxists.org/archive/marx/works/1847/poverty-philosophy/ch01.htm>).

Marx criticizes Proudhon for not understanding the connection between the economic system and the maintenance of work. He does not understand that work is regarded as the source of value in the classical political economy, for it searches for the political and economic institution of making the people work. The theoretical economic question is not whether something is scant or not, but why is it scant. Several times, in several writings, Marx and even Engels call the view vulgar, which traces back the price, the value and the scarcity only on the demand.

*“According to him, needs are the things for which we feel the need; values are things to which we attribute value. Most things have value only because they satisfy needs engendered by estimation. The estimation of our needs may change; therefore, the utility of things, which expresses only the relation of these things to our needs, may also change. Natural needs themselves are continually changing. Indeed, what could be more varied than the objects which form the staple food of different peoples?”* (<http://www.marxists.org/archive/marx/works/1847/poverty-philosophy/ch01.htm>).

The question of political economy concerns the joint system of needs and production. It is an unscientific point of view if the model of production and consumption is considered given from nature. When demand is proclaimed for something, then it makes the stock scant, and when the demand decreases or ceases, it becomes abundant. The relationship between abundance and scarcity is in a constant change, and it is not enough to state merely the existence of abundance or scarcity in a sector. The question is what causes the change of demand or production. Marx's point of view relies on the primitiveness of the production.

*"The producer, the moment he produces in a society founded on the division of labor and on exchange (and that is M. Proudhon's hypothesis), is forced to sell. M. Proudhon makes the producer master of the means of production; but he will agree with us that his means of production do not depend on free will. Moreover, many of these means of production are products, which he gets from the outside, and, in modern production, he is not even free to produce the amount he wants. The actual degree of development of the productive forces compels him to produce on such or such a scale."*

(<http://www.marxists.org/archive/marx/works/1847/poverty-philosophy/ch01.htm>).

The viewpoint of production is not an arbitrary decision, but the consequence stemming from the recognition of the main political/economic direction. When something turns into scant in the production process, parallel with this something else will be abundant. The concept of scarcity contains the requisite that something has to be given up, it can be connected to the concept of the sacrifice, but this sacrificial element has not inevitably a negative content. The negative content does not result from the scarcity itself, but from the correct or incorrect character of the decision in the situation of shortage. Marx analyzes this in the field of production related to the concept of work. In other writings, for example in "Grundrisse", or in "The Capital" he manifests that different production models are realized in the United States and in Europe, based on their relation to work, whether they catch it as scant or abundant. The abundance of work in Europe developed a technological and production system that is wasting work, and is aimed not to give up physical work, but to maintain it. Contrary to this, the aim of the American technological system was the redemption of the physical work, and they took the abundance of capital, machines and money as a basis. It is apparent not only today, but was clear also at that time as well that the American model is more developed. Its advanced state of development results from the Marxist model of scarcity: the sacrifice connected to the decision is the question of choice between the good and bad. The bad should be sacrificed and the homogenous, monotonous physical work is bad in the sense that may not and should not be maintained. The abundance of the technical devices presupposes the technical and economic culture to be open for the new results. That kind of culture is a fundamental factor of competitiveness as it is proven nowadays in researches. In contrast to this, the European model in the 19<sup>th</sup> century approved the right for exploitation based on the shortage of capital and abundance of workforce. Marx points out that the abundance and scarcity is a cultural question as well. In the following assertion, Marx points at the social and historical context.



*„The consumer is no freer than the producer. His judgment depends on his means and his needs. Both of these are determined by his social position, which itself depends on the entire social organization. True, the worker who buys potatoes and the kept woman who buys lace both follow their respective judgments. But the difference in their judgments is explained by the difference in the positions which they occupy in the world, and which themselves are the products of social organization.”*

(<http://www.marxists.org/archive/marx/works/1847/poverty-philosophy/ch01.htm>)

The review of socio-economic organization aiming at maintaining the circumstances of scarcity is the clearest among Marx's works. The scarcity is not a form given from nature, but one of the manners of functioning of the political-economic institutional system that does not get in harmony with the democratic principles. It is necessary to bring up this aspect because the view emerged even in the Hungarian economics: scarcity means that not everyone is able to have a living standard of a medium entrepreneur. In this sense, the Hungarian society necessarily splits into workers and entrepreneurs, and it is not possible to build up a society that ends the scarcity. The peculiarity of the classic capitalist model mediates the scarcity of goods and the abundance of workforce.

*„Is the entire system of needs on estimation or on the whole organization of production? Most often needs arise directly from production or from a state of affairs based on production. Thus, to choose another example, does not the need for lawyers suppose a given civil law which is but the expression of a certain development of property that is to say, of production?”*

(<http://www.marxists.org/archive/marx/works/1847/poverty-philosophy/ch01.htm>)

Marx reinterpreted the relationship between exploitation and scarcity. According to him, the changes in mode of production change the relation with scarcity. Thus, contrary to the classic capital model, the oppressive character of scarcity ceases in the economy based on constitutional values. The theories of the 20<sup>th</sup> century can be considered as further steps towards this direction from the point of view of the problem of scarcity, since the 20<sup>th</sup> century was looking for the means of the realization of security, freedom, and prosperity. As it can be seen in the next section, the transformation of the concept of scarcity reflected this process.

### **III. The concept of scarcity in the 20<sup>th</sup> century**

#### **III. 1. The rediscovery of the concept of scarcity**

As a definition in economics scarcity became widespread only after World War II due to Samuelson's work entitled „Economics”. Its first appearance is connected to Lionel Robbins, professor at London School of Economics, who worked out the theoretical frames in his „Essay on the Nature and Significance of Economic Science”. Robbins presented some arguments in his work that supported the need for a shift regarding the object of the economics. Robbins pointed out that is not sufficient to determine the object in terms of material and economic relations; an emphasis should be put on the method of decision that should be regarded as the management of scant

resources. According to Robbins, the essence of the economic decision is the scarcity, and even if all material goods were amply at our disposal, there would be a scant stock, which one should manage rationally.

It is worth stopping at this part of Robbins' train of thought. It is well apparent that Robbins holds an implicit debate with the vulgar Marxist economics of the 20's and 30's, which was all the rage in the England of the era anyway. This system of thoughts claimed that economics has to deal with the production of material goods, and it is possible to overcome the actual shortages occurring on certain areas and the scant resources by technological and organizational solutions. Any kind of constraints can be extinguished by the coordination of producer activities and works, and, as a result of this poverty and underdevelopment, it can be eliminated. This view that is fundamentally Ricardo's and not of Marxist origin, did not take the problem of time into account; however, time was an integral part of the Marxist theory. Along with the question of time, management in the economics raises the question work management, as a physical, monotonous and homogenous activity. Robbins claimed in his work that even if all material can be supplied, one resource would remain to manage, which is time.

Behind the compulsion of time and labor, management hides not only the Malthusian tradition, in which Robbins' work has a similarity with Keynes anyway, but the problem that the riddance of the above mentioned work is a part of the development as well. The creative activity is the source of happiness, and it should be taken into consideration during the formation of the socio-economic order. This is in accordance with the Marxist theory that contains the concept of liberation from work.

The stimulation of creative work calls for other instruments, than ensure the abundance of material goods. In case of material goods, the organization of production in industrial frames can reach the abundance. However, the labor and time management can be efficient only based on the individual's decision. A certain system of individual's decision is desirable that aims the recognition of scarcity of time and concentrates on self-realization. By this, the managerial point of view made by Robbins becomes the examination object of the economics. He claims that the correct individual managerial view promotes the realization of effectiveness in the economy. Under the correct managerial view, we mean a certain level of managerial culture that does not accept the monotonous work, but moves towards the self-realization and the creative activity.

Robbins's approach is not in accordance with the traditional concept of working class; on the contrary, it aims at the elimination of this concept, not as an actual social policy program, but by asking questions emerged after the abundance of material goods. This was not raised by Robbins in such manner; he held a debate with the deformed interpretation Marshall's economics (even Marshall has thought that the role of economics is to determine the institutions and instruments necessary for producing material goods). His aim was to extend the civil pattern for larger social groups (this later led to the idea of folk capitalism). Behind that there was a historical reason; hence, nowadays, this should not be a reason in itself on which basis should be avoided the bringing of the two tendencies of economics into harmony.

There is a stringent need for accordance, for the scarcity had been understood in the economics in Central and Eastern Europe in the 90's, as if it had been recurrent to the 21<sup>st</sup> century's economics, as if the scarcity of material goods had been the normal and necessary frame of economic development. Contrary to this, the analysis of Robbins shows that (1) the objects of examination are the production resources emerged beyond the supply of material goods, and (2) the scarcity raises several questions for every manager such as scarifying "what" and "why". By placing the issue of time in the core of the problems, Robbins claims that it is a part of the managerial model there is no democracy for „the bad". The maintenance of the oppressive kind of work is not acceptable, and the scarcity compels to this kind of management.

### III. 2. Samuelson's approach to scarcity

Paul A. Samuelson wrote the book "Economics" that made scarcity become the main definition of economics. This work presented the basic Western development in economic theory after World War II in the most comprehensive way. Its different editions show well the changes that were raised by the Western economic development from a theoretical point of view; thus, it is reasonable to examine the definition of economics and the concept of scarcity in its major editions, namely in the editions published in 1955, 1973, 1985 and 1998.

In the „Economics" introduced in 1955, Samuelson sees the fundamental problem of the economics, how it can boost the economic activity under different circumstances.

*“Every human society must confront three questions: what commodities are to be produced and in what quantities, how shall resources be distributed for the proper production, and for whom shall goods be produced that is how the national product to be divided among different households. Every society must decide on these questions based on its own wisdom, and then its decision can be realized through customs, talents, commands or orders; in our economic system, this operates by partially the price and market system. These basic questions follow from the fundamentals of every economy: the living standard is limited under scarce resources and given state of technology. All the economic commodities are scarce and not free; the society must choose among the limited goods that, the needs and desires can not be fully satisfied at the same time.”* (Samuelson, 1955, pp. 33).

Samuelson's book was promptly translated into German and became one of the dominant shapers of the contemporary German economic view; which fact is not a marginal circumstance, for its message can be understood better by this fact. How to govern the transition from the economic order of the fascism to the economic order based on the democratic norms constituted the prevalent question in the '50s. Democracy does not mean homogeneity, but the symbiosis of the diverse thinking, views, and cultures, and the creation of norms necessary for this, have to be enforced in the economic decisions – claims Samuelson.

This explains why it should be emphasized that the economics should give diverse answers for the same question. It will not decrease its scientific character; on the

contrary, a perspective in economy field can be given to every society by its support. The pluralist interpretation of the economics and the aspiration for boosting the dialog between the different economic schools reflects the way Samuelson talks about the power of words. This showed the specific for the time period need for scientific dialog between the Western and Eastern blocks. The „anti-Eastern” ideology manifested in the Cold War matched the inequality against the egalitarianism. There was a need in the economics for the methodology of the scarcity, since the fair level of inequality should have been defined. The Western economics made an effort to avoid the two extremities: the egalitarianism and the excessive inequality. What should be added is that the equality is linked to the question of justice. Even the justice has its own methodology, and the economics needs it as well. The rationality is not merely a mathematical, but a philosophical problem as well, and the economics needs both of them.

The basic questions „What?”, „How?”, „For Whom?” also played an important role in the later editions. Finding an answer for the three basic questions can lead to different solutions in societies, and Samuelson pointed out that neither of the societies can avoid the pressure for answering. This is one of the points where the engagement of politics and economy, and the improvement of the tradition of the political economy can be caught out in Samuelson’s work. The application of the democratic norms is a social question, and the economic decisions should be done according to it. Opposite to the fascist tradition that was against the freedom, the new Western model appears to look for the economic instruments of teaching the norms of freedom. Concerning the questions of „What?”, „How?”, „For Whom?”, not only the answer is important, but the raising of the question itself, since by this Samuelson introduces the economics as a discipline opened to the democracy. It is not self-evident, for the discipline was presented in Central and Eastern Europe by the neo-liberal economics as if the economics had been able to give objective answers by-passing the democratic norms. This is not in accordance with Samuelson’s approach, since the work expressed the openness for diversities of cultures. Samuelson calls the attention to the problem of choice between democratic and antidemocratic systems. By the adaptation of the major results of the mathematical economics of the era (for example Arrow’s Impossibility Theorem), he showed that it is not able, and it is not worth to „choose” the antidemocratic system. That is, he illustrates the impossibility of choosing the „bad” in the language of the economics.

This can be seen from the fact that Samuelson accepts (in this edition by all means) the theoretical economic establishment of the socialist block. By making the delicate statement that the Western block enforces its decisions through market mechanisms, he says that other institutional system is conceivable as well. The important thing is not that, but the democratic character of the decision, which distinguishes the Western societies from the Eastern ones.

Compared to Robbins theory, the concept of scarcity has been transformed. Firstly, the scarcity is a question brought up on the social level; every society has to make a decision concerning the utilization of resources through operating democratic institutions. The compulsion and opportunity of production at the national level

is discoverable in the concept of scarcity. Why is there a need for the concept of scarcity? Secondly, there is a direct debate regarding the voluntarism that denied the scarcity at the national level. However, Samuelson steps further: the concept of scarcity helps making the decision responsible. The aim and direction should be defined: what the social production can be adjusted to, and towards what direction the economy develops. This direction is very concrete; it aims at increasing the living standards. This is a radical change compared to the fascist economic policy, since the preparation for war stood in the centre of the national interest. The long discussion on the problem and the application of the transformation curve indicates this as well. According to this problem, the society has to determine whether to produce butter or cannon. The dictatorships choose the cannon, the democracies the butter. This is a hint for the notorious example of Goring, who said in 1936 that it is necessary to produce cannon, so that later the butter can be taken away from others. Samuelson argues with this point of view when he says that the essence of democracy is the population's prosperity and its promotion. Hence, the society could democratically decide on producing cannon, but this is not consistent with the democratic norms. The democracy is the democratization of the responsibility. One should add that this debate is not only against the fascism, but against the soviet model as well.

The available level of the living standard has to be taken into consideration in the course of decision-making. By this, Samuelson distances himself from the populist tendency, not only from the dictatorship. The concept of scarcity is important, for it becomes sensible, as the democracy is the model of the commonly made, correct decision, which model can be prevailed in the economy as well. He refers concretely that someone's situation can be improved, while other social groups' can stagnate, but these decisions may be and has to be accepted. By these means, the conceptual frame of scarcity became the improvement instrument for the democratic managerial culture.

The connection between the scarcity and the managerial culture can be seen in Samuelson's „Economics” edition from 1973. In this book, he formulates the definition of economics as follows:

*“Economics is a discipline focusing on the choice of the individuals and the society either by or without the transmission of the money among the alternative, scarce resources of production for manufacturing various commodities and on how the commodities are distributed among the individuals and groups of the society for actual or future consumption. The economics analyzes further the costs and benefits of the resource-allocation improvement.”* (Samuelson, 1973, pp. 35)

Then he continues with the introduction of anomalies in calculating the GDP, and points out the difference between the quantitative and the qualitative choice. “Economics shows people that, if they really want, they can exchange the quantity of goods for the quality of life” (Samuelson 1973, pp. 36). In this edition, he took long discussion about the consequences of the decisions made by the economic policy, and found out that the economics should apply the double standard objectivity. The rules of the heart should be followed during the decision-making, and the rules of

mind during the analysis – he refers to the famous theorem of Pascal. Naturally, there is a need for the unity of both of them, because the prejudices can be eliminated only that way. “And especially in the field of social sciences, we must recognize that we are the victims of our prejudices, feelings and material interests” (Samuelson, 1973, pp. 45).

In this work, Samuelson’s definition is influenced by the experiences of the neoconservative revolution started in the middle of the 70’s that reacted to the student movements of the 60’s and the related intellectual upswing of the left. The shift from the welfare model of the post World War II era can be seen unequivocally in the theorem according to which one may and has to choose between the quality and quantity of life. Samuelson responds to the proposition assuming that the welfare model based on the quantitative increase became an old fashion model, as significant social groups followed other kind of lifestyle. By making the delicate statement that new lifestyles can be followed only “if they really want”, he says that the validity of the democratic norms cannot be petered out based on “fake-revolutionary” arguments. It is out of question that the pluralism of ideologies has to be exercised during the economic decision-making, thus every tendency has a place in the society that does not want to exclude the other one. This consistent ideological pluralism explains why Samuelson – in contrast to the 1955<sup>th</sup> edition – emphasizes the competencies of individuals and societies. The main question is not the making of democratic norms, but the creation of frames of cooperation between the democratic left and right middle in order to secure the social stability. This is a sensible aspect as the decisions can be transmitted either by or without money.

The democracy’s prerequisite is the prosperity, and the central question in the previous edition was the creation and acceptance of the socio-economic institutional system necessary to increase the living standard. In 1973, the main question was the formation of a managerial culture that enforces the long-term viewpoints. Scarcity gets a new dimension: it requires the definition of the ratio of the actual and future consumption. It presumes that the decision-making individuals have a kind of culture and view that gives a possibility for the long-term development. The democratic institutional system works in the economy, so that these long-term concepts clash and the confrontation takes shape of the economic-political management. One has to choose between the good and the bad, the concept of scarcity has to be applied at the expense of the bad, and the resources appropriated for the bad have to be revoked.

The central role of the economic-political decision-making can be understood from this perspective, since one of its jobs is to harmonize the viewpoints concerning the different futures. In 1955, it is not a question because the democratic frameworks of the survival should have been created by that time. In 1973 we stepped in a new era; the majority of the Western societies have already had a determined system of vision and values.

The ability of their coordination is a scientific performance as well, and the instruments of the economics help in realizing this. That is why Samuelson uses the Pascal’s simile instead of the differentiation of the normative and positive economics; the Hungarian neo-liberalism often understood that what is science is meant to be

positive, and what is a value is meant to be normative and not science. The heart has its rules, which have to be taken into consideration. On the other hand, one should not listen to it only, and have a dogmatic point of view, as he will be prone to committing bigoted acts. Samuelson refers quiet obviously to the fact that contrary to the view of class struggle in its distorted sense, every tendency should accept the pluralist view in order to assure its own survival. The economic contribution to the basis of the ideology of the world order without a World War can be seen here, since everyone “should fight his own prejudices”. This is a question of morality and at the same time of effectiveness. The last aspect mentions that the economics can promote the improvement of the effectiveness of the resource allocation; it shows how one can organize the ideological pluralism efficiently, and reach a Pareto-improvement in the economic institutions, besides scarcity of course, which everybody has to reckon. This is the minimum professional requirement, where the different economic institutions can find accordance. It has to be emphasized that the Hungarian neo-liberal economics, in flat contradiction with Samuelson’s definition, wanted to use the concept of scarcity for „settling” the class struggle; it interpreted the scarcity in the framework of class struggle and did not understand that the Western model builds the society and the political and economic culture without classes. The example of scarcity mentioned above, which quoted that the scarcity, means that not everyone is able to have the living standard of a medium entrepreneur, and it refers to the support of the class struggle characteristic of scarcity in the Hungarian economics, and that contradicts the Western scientific norms.

It is doubtless that these ideological directions were not expressed positively later due to some historical-security and political reasons. In 1985, when William Nordhaus has already become his co-author, Samuelson abandoned the last sentence from the definition of the economics, respectively the thought that referred to the fact that one can indicate his decision either by or without money. However, what appears as a supplement is almost a direct theoretical preparation for the end of the Cold War. On one hand, Samuelson refers here to Smith, the founding father of the economic discipline, and to the fact that the issue of the „Wealth of Nations” coincided with the American Declaration of Independence. The American economic institutional system results from this thought, as the necessity of adapting the efficient managerial culture arose. On the other hand, the presentation of the market mechanism plays a bigger role in this edition. The presentation has a curiosity; Samuelson interpreted money as a vote. The consumers express their satisfaction or dissatisfaction with the given producer by their dollar votes. This metaphor points to the economic perception of the market at the end of 80’s, the market is part of the democratic institutional system, and it should be interpreted that way. This is a debate (that was later adopted by the Hungarian neo-liberalism mechanically) with the vulgar Marxist point of view that interpret market as production of goods and claiming by this that the rules of economic subsystem are valid elsewhere. By contrast, Samuelson takes a position that the democracy is a norm that pervades the whole operation of the society and that one has to adapt to it. This is a substantially more delicate approach of the later Fukuyama-theorem that sees the end of the history in the adaptation of institutions

of liberal democracy. Samuelson in contrast with this proves that the expanding market economy due to its democratic character can be an adequate instrument for the global economy unity. Its democratic character manifests itself when it promotes the dialogue between the ideologies in an economic conduct. The „market” of production of goods either is or not democratically consistent, by these means the cutthroat competition prevails.

The dollar becomes a vote and not merely a purchase by containing a commitment towards a given culture, ideology, or movement and by indicating a system of values. This explains why Samuelson quotes Keynes in this edition:

*“The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interest is vastly exaggerated compared with the gradual encroachment of ideas. Not, indeed, immediately, but after a certain interval; for in the field of economic and political philosophy there are not many who are influenced by new theories after they are twenty-five or thirty years of age, so that the ideas which civil servants and politicians and even agitators apply to current events are not likely to be the newest. But, soon or late, it is ideas, not vested interests, which are dangerous for good or evil”* (Nordhaus and Samuelson, 1985, pp. 43).

Samuelson justifies the necessity for dealing with the economics by this quotation, and this enriches the scarcity concept with a new dimension. A definition based on the scarcity would merely be suitable to regard the housewife as equal with the economist, as it happened in certain areas of the Hungarian economics education. The economist can be distinguished from the housewife by his ability to fit the single managerial decisions into a system and to determine the ideological direction, the tradition that is led by the manager consciously or unconsciously. Calling the attention for the consciousness is the job of an economist. It is not only a cultural curiosity, but also the condition of the efficient management, since “the economy is organized by the ideas”. With this Keynes-citation, Samuelson takes a stand on the tradition of idealism unequivocally, contrary to the approach of the Hungarian neo-liberal economics that traces back the operation of the economy to interests only. The concept of scarcity, the compulsion to choose does not mean that “one has to obey the stomach”, but that the compulsion induces the need for ideas in the main social groups. The application of the scarcity is the decision between the idea of good and bad, what demands the methodology of justice. This reference to history of ideas is a shift in the economics, and the consequence is that the long-term political-cultural contexts should be dominant in the economy. Samuelson approved this by the citation, and this again is in contrast with the view of the Hungarian economists that divide the society into subsystems.

In the subsequent, 1998 edition, the authors modify a bit the definition of the economics. “Economics is the study of how societies use scarce resources to produce



valuable commodities and to distribute them among different people” (Nordhaus and Samuelson, 1998, pp. 4). The altering view is reflected by the use of Adam Smith’s motto: “It is not the benevolence of the butcher, the brewer, or the baker from whom we expect our dinner, but the regard of their own interest”. The authors claim that the scarcity rules our lives and we aspire to effectiveness (Nordhaus and Samuelson, 1998, pp. 4). If scarcity had not existed, all need could have been satisfied immediately. However “In such an Eden of affluence there would be no economic goods – goods that are scarce or limited in supply” (Nordhaus and Samuelson, 1998, pp. 5). Naturally, this state has not been reached by any society yet, for the resources are scant, in contrast with the needs, which are unlimited. In connection with the exposition of effectiveness, they put the pursuit for Pareto-effectiveness in the centre, and see the main task of the economics in terms of finding out “how to organize the society by using the economy’s resources as effectively as possible” (Nordhaus and Samuelson, 1998, pp. 6). Thus “we are studying economics not only for understanding the world we live in but for understanding the many possible alternative worlds suggested by the reformer continuously” (Nordhaus and Samuelson, 1998, pp. 15).

The authors give considerable role to the results of the information technology revolution as they acknowledge the newer interpretations of scarcity. They intend to assimilate the effects of economic and cultural changes on economic theory caused by the internet, the mobile phones etc., as they refer to it in the work. The main theoretical economic question is the dissemination of the information technology and the foundation of the economic view necessary to this. Typically, they raise a Marshall-citation as a debate question. According to the citation, an economist should follow the rules of mind and heart at the same time, as the society cannot coexist with poverty for a long time, and the thinking on abolition of poverty is the responsibility of an economist as well.

The abolition of poverty as an economic and political program is the tangible sign of the scarcity according to Samuelson, and the shift towards correct management results from that. However, the subject of the production is the society again, and not the individual, contrary to the former standpoint. Perceiving the changes in the economic-political management, the community values become the centre again, and not in terms of the kind of the individualism that was the part of the neo-liberal ideology. The scarcity compels the society towards the correct social production, and the working out of the economic-political programs necessary for this is the task of the economics.

We should stop at this point and call the attention for the main problem of Samuelson’s model, who argues for the separation of the scarcity and the effectiveness. Samuelson argues for the necessary existence of scarcity because abundance is unimaginable and the needs are unlimited. This argument is not accurate in this form, since the unlimited nature of the needs is not self-evident. On one hand, there were historical eras, whose integral part was the restraint of the needs, like in the Middle Ages. This was a separate economic political period, and series of decisions promoted the elimination of restraints; this was the role of the long-distance trade for example. On the other hand, the unlimited nature and infinity of the needs is not an accurate

drafting, because the consumer's aspiration always aims at having a politically-sociologically determined stock basket. The economic players are getting richer not only in generally, but also in a tangible way, and the determination of that actual consumer's stock basket belongs to economics. This was brought to the economics' surface through the poverty problem explained by Samuelson. The considerable part of Amartya Sen's researches deals with the content of the actual stock basket that ceases poverty. The result of the research is that it should be defined separately in every era. This can be extended to the other groups of the society (that is illustrated by the researches aimed at linking the incomes and the happiness). It is certainly true that the definition of the actual stock basket is a question raised repeatedly, and it cannot be solved forever. However, the merely accentuation of the infinity is a one-sided point of view, according to our standpoint, the aspiration towards the unity of the limitedness and the infinity should be emphasized.

Thus, the definition of the consumer's stock basket could come up as an economic question. The abundance is not merely associated with the Nirvana or the Kanaan, but with a state of the society, in which a considerable part of the society is happy. The source of the happiness is not only a philosophical, but an economic question as well. According to the classical philosophical standpoint, the justice is the source and justice as the material interest of behaving ethically is the happiness. The economics adds the concept of effectiveness to this. The effectiveness means the efficient validation of the justice, and this is the measure, the point of view, on which one can count when defining the form and the shape of the socio-economic development. However, Samuelson could not express this model of development in a philosophical form, and thus the concept of effectiveness and scarcity is not connected in the definition. The inorganic coexistence could be brought to an end if the authors had inferred the unity of justice and effectiveness from the conceptual duality of scarcity and abundance.

The management sciences have already done this by using the conceptual duality of the effectiveness and the efficiency. The effectiveness is the realization of a given production process at lowest possible expenditure, while the efficiency is the fulfillment of the market needs. This microeconomic concept means a shift, because from the point of view of the company's operation, not simply the price-level is important, but the recognition of the long-term social needs as well. In the last 20 years, the emphasis was put rather on the effectiveness, but now the substantial question is about the efficiency. The source of the profit has changed by this as well; the source is the recognition of the needs, the adaptation to main socio-economic direction and to the ethical values. This change reinforces the aspiration for the unity of the two methodologies: the methodology of scarcity and the justice.

The conceptual clarification could help understand the economic policy of the new economic and political era and the New World Order. What Samuelson sketches in a very correct way is the new connection between the globalization and local communities. The examination of the economics helps understand both the world itself and the diverse variety of the local reforms; that is the clarification of the relation of the one and the lot. The economics concentrated on the global order in the previous period in a one-sided way, meaning to understand the world market. Beginning with

the new millennium, the local democracy and the support of the development of single actual cultures gets a bigger significance.

The question here asks what the organizing principle of the global New World Order is, and how the bigger or the smaller cultures can connect to this. The concept of scarcity is not enough; only the principle of the equity can result from the scarcity. This is a middle-term economic-political program, by which the income inequalities can be compensated and the misery can be relieved. This gives sufficient ammunition for the economists at the end of the 90's, since the decrease of the extreme income inequalities is a middle-term economic-political aim in fact. However, the concept of the New World Order and the sustainable growth calls for an economic approach, in which the structure of the consumption and the production is defined clearly and the scarcity is a less serious problem. However, this can be banked only on the unity of justice and effectiveness. According to our suggestion, one should not put simply the optimization under scarcity in the centre of the definition of the economics, but complement it with the concept of the correct decision. The results of the managerial sciences in connection with the decision theory support this, and the infiltration of these results into the economics has just begun as well. The correct decision means the application of the justice under given circumstances. One should have the standpoint of the methodological dualism contrary to the one-sidedness of the mathematical methodology; since the methodology of the justice is an economic question that one cannot get around as well.

#### **IV. The theoretical consequences of the financial crisis**

The financial events of the last couple of months have shown some sweeping changes in the theory also. It seems to us that new theoretical models will emerge and some others are going to sink in the next couple of years or months. We would not like to speak about the background of the financial crisis and the governmental interventions to the market. We think that it needs more time to evaluate the turbulences and the steps taken by the governments. Nonetheless, it is a good occasion to rethink the state of the economics, the main theses and its consequences.

First, it seems to us quite plausible that the neo-liberal approach of the economics is not enough to understand the new situation in the world economy. The neo-liberal model is based on a narrow concept of efficiency and this concept is the ground of the right choice. The cost-benefit analysis, the balance between the joyful and the painful as the main concept of the right choice is the essential of the neo-liberal economics. The main tool for raising the level of the efficiency in the framework of the cost-benefit analysis is to lower the cost or to raise the price. However, there is another aspect of the production, which is the efficacy. The notion of efficacy means the consideration of the social needs. In order to reach the efficacy the enterprise needs a long-term vision of the consumers' culture, development and the scrutiny of the efficacy should come before the effectiveness.

Certainly, the concept of efficacy has been involved into the neo-liberal economics as well. However, the efficacy had a special meaning; it was narrowed just to the demand, to the will of the buyers. The financial crisis has shown that the buyers'

will be part of their culture, and this culture is not independent from the whole performance of the economy. The wrong consumers' decisions of buying products that do not support the households' productivity lead low economic performance in all over the world. To restore the market economy every nation needs an adequate business culture. It follows that the cultural development is part of the economics and economists should build in the cultural and historical background of the economy into the mainstream.

This kind of thinking is not without sample in the economics. The so-called libertarian paternalism means that the economists and the government have special responsibility to help the consumers and producers in taking the right decision. The market is a language, as Vernon L. Smith said, and it does matter how we speak about the joyful and painful, because it has a great influence to the whole economy. The efficacy in this context means to find products, services and methods, which can support the consumers' long-term thinking.

However, the libertarian paternalism is not the same in the Central Eastern European countries as in the Western societies. The libertarian paternalism does not eliminate the tradition of democracy in the economics, but emphasizes another aspect of the economics in the Western societies. However, the libertarian paternalism means a theoretical moving from the model of classical capitalism to the model of feudalism in CEE countries. In this area, it is a shift of values: from the freedom without safety and welfare (this is the tradition of classical capitalism), to the safety and welfare without freedom. As it used to be, the theoretical moving contains more extreme socio-economic elements in the CEE countries than in the Western societies.

The great question, which emerges from the libertarian paternalism, is what kind of institutional framework can mostly help the consumers' and producers' right choice. Just the banking or the financial system as happened in the last couple of decades cannot establish the new model. The financial system regards only the concept of effectiveness. The lack of viewpoint of the efficacy means that the banking system focuses narrowly on the cost-benefit analysis, which is a triggered dichotomy in the economy; the worker and the entrepreneur are in the opposite side. They cannot agree with each other, because the worker would like to increase his income and the entrepreneur would like to decrease the wages. Within the concept of efficiency, they cannot go over this conflict. From this point of view, the relationship between the society and the banking system is ambiguous; there is a gap between the society and the managers. Neither the political nor the business leadership connects in the society.

Naturally, this extremist model is applicable only in the developing countries, among them the Central Eastern European countries that have newly joined the European Union. In the developed world, the monetarism is supplemented with neo-conservatism. The difference between the neo-liberal and the neo-conservative model is that the latter embraces the importance of the moral issues, the role of the state and other institutions of the civil society. However, in CEE countries we can see the destruction of the civil society and moral values. The lack of trust and confidence has

led to the crisis and we think that the solution for this problem is not just a budgetary question but also the emergence of a new framework of the economy.

This new framework is based on participation in the decision-making in the production. The democracy in the production, letting the workers contribute to the management of the company is the key element of the new model. This kind of democracy does not eliminate the personal responsibility; moreover, it can raise the general level of taking responsibility by assuming the responsible behavior from every member of the society. The individual choice is embedded in a given community and the community can help the person to take the right decision. To build communities is part of the state job. It is called “intelligent government” which means that the government by whatever means helps the individuals to find a community. The intelligent government provides the necessary and sufficient information for the right decisions. In order to reach this situation, the economy needs a new institutional framework and trust in these institutions. The trust can be based on the moral commitment of these institutions, and on the core values of the state.

It is a new challenge of the economists mainly in this region. The economists should explain the above mentioned commitment and speak about the connection between values and effectiveness, the strong link between the right choice and the rule of law. For this, it is inevitable to rethink the basic models in the economics, because in the last couple of decades the trust in values belonged to other social sciences due to historical reasons. However, nowadays the situation is changing and the economists in CEE countries have a special job in this field.

## **V. Conclusions**

In this study, we claimed that the scarcity is not a central question in the classical political economics, and the economics concentrates on the supply of the material goods. Whenever the question of scarcity emerges, it is connected to the correct and ethical managerial behavior. The bad, oppressive meaning of the scarcity appears as well.

Moreover, the concept of scarcity becomes the central debate in the 20<sup>th</sup> century for it is regarded as a theoretical instrument necessary for the improvement of the managerial culture. The expansion of the opportunity of the decision and the democratization of the economy is expressed by the concept of the scarcity in the economics. The scarcity concept helps at the same time to create the concept of correct decision, since the economics deals with the scientific criteria of the economic decision.

The definition of the economics based on the scarcity in the 20<sup>th</sup> century cannot be considered as a homogenous one. It changed in the certain medium-term eras due to the economic and political character of the given era. We proved this argument basing our assertions on the Lionel Robbins's and Paul Samuelson's writings. However, throughout the 20<sup>th</sup> century the scarcity meant that someone has to make sacrifices in order to reach the prosperity of the society. Finally, at the beginning of the 20<sup>th</sup> century it became perceptible that the concept of scarcity is not sufficient for the correct conceptual mapping of the New World Order. There is a need for the collective

treatment of the abundance and the scarcity, and thus for the unity of the justice and the effectiveness. We suggest a new synthesis of the economics and the philosophy, where the criteria of correct decision would be the justice and the effectiveness; nonetheless, this does not exclude the optimization under scarcity.

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