

WHAT IS THE ECONOMY?

There are many definitions of 'The Economy'; how we define the economy may depend on our own individual or cultural perspective. It can be viewed as narrowly as the management of resources or more broadly to include the all the structures of the economic life of a country or region.

THREE DEFINITIONS OF THE ECONOMY

UK OFFICE FOR NATIONAL STATISTICS	OXFORD ENGLISH DICTIONARY	WIKIPEDIA
The economy can be viewed as the circular flow of goods and services from producers to consumers, and the corresponding flow of labour and capital into the production process. Equivalent to this is a flow of money for the services provided.	The state of a country or region in terms of the production and consumption of goods and services and the supply of money OR The careful management of available resource	An economy consists of the economic system of a country or other area, the labour, capital and land resources, and the economic agents that socially participate in the production, exchange, distribution, and consumption of goods and services of that area.

As can be seen from the three definitions above, production and consumption of goods and services are often common elements of our understanding of 'The Economy'. However, Wikipedia gives a broader definition of the term, and includes in its explanation the "economic system" and the society which participates in it. Therefore, it does not assume any specific economic system as a given: there can be different economies.

How do we understand "The Economy" in Ireland?

- How is the term 'The Economy' generally used in Ireland?
- What do we mean when we say "we have to save The Economy" or "do something for The Economy"?
- Do we generally assume that the economic system is market capitalism?
- Do we question the type of economic system we have and its impact on economy and society?

What is the Environment?

At a basic level, the Environment can be thought of as everything that surrounds a person, animal or plant. This can be built or natural. The Natural Environment "encompasses all living and non-living things occurring naturally on Earth or some region thereof. It is an environment that encompasses the interaction of all living species". It includes "complete ecological units that function as natural systems" (e.g. vegetation, soil etc) and "universal natural resources and physical phenomena" (e.g. air, water, climate etc) (Wikipedia)

What is Society?

"The community of people living in a particular country or region and having shared customs, laws, and organizations"
(Oxford English Dictionary)

What are GDP and GNP?

“GDP measures the total output of the economy in a period i.e. the value of work done by employees, companies and self-employed persons. This work generates incomes but not all of the incomes earned in the economy remain the property of residents (and residents may earn some income abroad). The total income remaining with Irish residents is the GNP and it differs from GDP by the net amount of incomes sent to or received from abroad.” (CSO)

How are GDP and GNP measured?

The Central Statistics Office is responsible for measuring GDP in Ireland. It uses two methods. The **income approach** measures the income generated from profits of companies, the self-employed, rents and the wages and salaries of employees.

The second method employed measures the income spent on goods and services. This includes personal expenditure, government expenditure, spending on capital investment and exports.

How do we measure the ‘progress’ of our economy?

The most common way of measuring the progress of our economy is to measure ‘growth’. We measure growth by looking at the change in GDP (or GNP).

Growth is important for market capitalism because:

- The financial system is based on lending money at interest. If the economy does not grow then there will not be enough money to service the money lent out.
- Inequality is tolerated within countries and between countries because of the promise that everyone's wellbeing will improve through growth.
- We generally seek to address problems with new technologies and these require growth.

Is growth in GDP a good way of measuring the ‘progress’ of our economy and society?

How does Growth relate to the Environment?

Understanding the relationship between the economy, society and the environment and how all of these are affected by growth is a contentious issue. Since the 1970's, the concept of Sustainable Development has been advocated, which holds that we can achieve economic growth which is sustainable by balancing economic, social and environmental factors.

However, there are those that question the possibility of achieving that balance and suggest an alternative, where the economy is treated as a subset of society which is in turn seen as a subset of the environment. The Ecological Economist Herman Daly, on the other hand, suggests that what is important is the relative scale of the economy in contrast to its supporting environment.

Much of our current economic theory has some basis in 18th century classical economics, which saw free markets and the promotion of growth as beneficial to all in society. Classical economics developed, however, at a time when resource consumption was small. In the 21st century many now question the feasibility and equity of continuing the increase of production and consumption year on year in a resource constrained world.

How does Growth relate to Society?

GDP or growth is used a proxy measure for Quality of Life. However, its value in measuring wellbeing has been increasingly questioned. As GDP only measures that which is traded or earned, it does not count the many aspects of human life which exist outside of GDP, but upon which society is dependent for its wellbeing. Caring for others and active communities, for example, are not measured by GDP. Inequality is not measured by economic growth and can often be exacerbated by it. Therefore, many are now looking for alternative ways of measuring and promoting wellbeing and quality of life as part of a sustainable economy.