

Chapter 21

Peace in Economic Equilibrium: A Micro-Perspective

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ABSTRACT

Peace is a spiritual phenomenon, but it evolves through various disciplines – psychology, economics, biology, and so on. This is because human beings are complex in nature, and various facets of human existence are correlated with these disciplines. Peace is an integration of all aspects of humanism in a state of equilibrium. This chapter discusses peace as imbibed in ideas of microeconomic equilibrium. Economics is so often disapproved by spiritual thinkers as being a science of self-centeredness even after decades of progress in the subject matter after Alfred Marshall's "Principles of Economics." This seems justified as today an ordinary man is still concerned with individual welfare first. Therefore, peace needs to be seen from this micro-perspective first so that the society may move to higher objectives later once the individuals are in equilibrium and have attained peace in this narrow but indispensable sense.

INTRODUCTION

Peace, a state most sought after but least understood. For centuries and ages, from kings to sages, everyone has pondered over the idea of peace at some moment in their lives. In this world of chaos and anxieties, where the whole existence of a person is surmounted by turmoil in professional and personal lives, we find the need for peace becoming quintessential to humanity and sustainability of life as human beings.

Several interpretations and innumerable references exist in various disciplines, which have an implied connotation of peace. In a world of scarcity, economics as a science of choice making is very close to the idea of peace as peace emanates from satisfaction – the core principle of economic equilibrium. Studies of equilibrium find a place in almost all sections of economics, be it microeconomics or macroeconomics, but a layperson is able to understand the micro perspective better as it relates to calculations that individuals typically make for their household or business. Besides, peace is more an outcome of individual attitudes intertwined in the social fabric than of social norms. With this basic assumption (as economic theories are always based on some), this chapter proposes to explore how economic equilibrium in dif-

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ferent economic activities like consumption, production and exchange can actually be extended to the exploration of ways peace can be brought to this world too obsessed with material welfare.

This chapter has been written keeping in mind that the readers might not be acquainted with advanced theories in economics and so it focuses on simple concepts which could be understood by the layperson. This is an attempt to mitigate the influence of negative thinking about economics as a discipline defined only by the promotion of individual gains over social ones.

The basic assumption of all economic theories is rationality. Traditional economic theories assume the consumers, the producers, the buyers, and the sellers, all to be governed by rationality, thus they are logical, guided by cold calculations which are unaffected by positive or negative emotions. But actually the world of human beings is not so emotionless. However, economists had no choice but to assume that in order to derive some theories, which could predict human behaviour correctly when it came to economic decision-making, rationality should be assumed at least to the maximum extent possible.

This chapter explains the underlying desire for peace and its achievement when a consumer, a producer or a firm tries to achieve economic equilibrium. It will focus on how the economic decisions, if taken in an unbiased manner, even if not guided by benevolence towards fellow participants in the economic process can bring about peace for individuals and in turn for society. Thus following economic principles, one can attain an optimal benefit for oneself without encroaching upon the benefits of others, a principle which is realistic and does not assume a utopian society. Human beings are more individualistic in approach today and this leads to the thought behind this chapter; that is, to look into individual goals and satisfaction, first, in order to develop better economic theories that are more able to move us toward a more peaceful society.

The chapter thus discusses the conditions of consumer and producer equilibrium and the equilibrium of firms under various market forms. It does this with a goal of attaining positive peace via achieving equilibrium.

The ideas and terminology of economics are complex, and become more so to the layperson when expressed in the form of confusing mathematical equations. This chapter is written keeping in mind the readership, which may not be expert in economics. In other words, this author hopes to explain the inherent idea of peace in economic equilibrium to all the readers, irrespective of their educational background, because she assumes the readers who pick up this chapter have the intent and ability to understand the basic concepts of economics when those are expressed in a simple manner.

BACKGROUND

Economics, as an academic subject, is defined in various ways by different economic thinkers. It was defined as the science of wealth by Adam Smith, a science of material welfare by Alfred Marshall, a science of choice making under conditions of scarcity by Lionel Robbins, and as a science of choice making for sustainable development by Paul A. Samuelson. Each definition, in this order, has broadened the scope of economics and today the field has become all-pervasive. As this chapter discusses the concept of peace in economics, the author has chosen to discuss it through the microeconomic context; that is, through the study of individual units in economics such as individual consumer, individual producer and so on.

This contrasts with previous studies on peace in economics which have been focussed mainly on the dynamics of peace between countries and thus on macroeconomic contexts. Arrow (2000) provides a general economic framework for analysing the forces behind the escalation and de-escalation of military

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