

ECONOMICS



ECONOMIC SYSTEMS

- METHOD USED BY A SOCIETY TO PRODUCE AND DISTRIBUTE GOODS AND SERVICES

THREE ECONOMIC QUESTIONS

- WHAT GOODS AND SERVICES SHOULD BE PRODUCED?
- HOW SHOULD THEY BE PRODUCED
- WHO CONSUMES THESE GOODS...

WHAT SHOULD BE PRODUCED?

- HOW MUCH OF OUR RESOURCES SHOULD WE DEVOTE TO:
 - DEFENSE?
 - EDUCATION?
 - PUBLIC HEALTH?
 - CONSUMER GOODS?

HOW SHOULD GOODS AND SERVICES BE PRODUCED?

- HOW TO USE OUR RESOURCES
- SHOULD WE PRODUCE ELECTRICITY WITH OIL? SOLAR POWER? NUCLEAR?

COMBINING FACTORS OF PRODUCTION



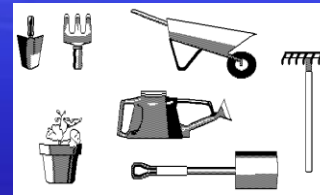
1 acre

+



20 WORKERS

+



CAPITAL

=



10 BUSHELS OF CORN



1 acre

+



2 WORKERS

+



CAPITAL

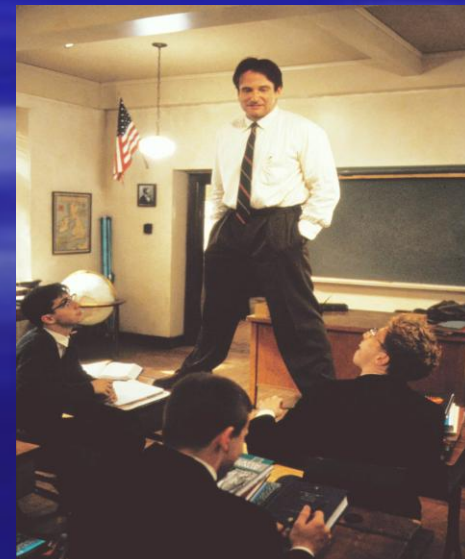
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50 BUSHELS OF CORN

WHO CONSUMES GOODS AND SERVICES

- DISTRIBUTION IS DETERMINED BY HOW SOCIETIES CHOOSE TO DISTRIBUTE INCOME
- HOW MUCH IS LAND WORTH?
- HOW MUCH MONEY SHOULD TEACHERS EARN? DOCTORS? LAWYERS? GARBAGE MEN/WOMEN?
- Depends on social values and goals of a society



ECONOMIC GOALS OF SOCIETIES

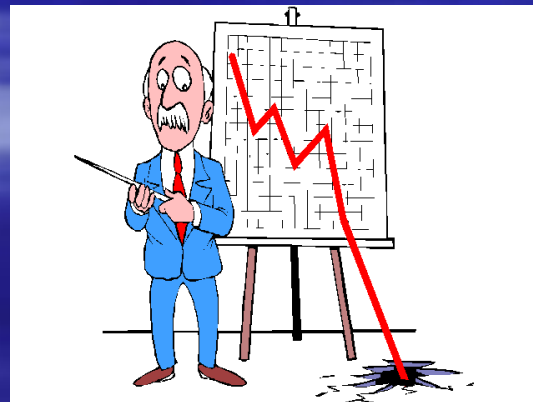
- **ECONOMIC EFFICIENCY**: MAKING THE MOST OF RESOURCES
- **ECONOMIC FREEDOM**: FREEDOM FROM GOV'T INTERVENTION
- **ECONOMIC SECURITY & PREDICTABILITY**: Goods are available; safety nets in times of disaster, etc.
- **ECONOMIC EQUITY**: FAIR DISTRIBUTION OF WEALTH
- **ECONOMIC GROWTH**: INNOVATION LEADS TO GROWTH AND GROWTH LEADS TO A HIGHER STANDARD OF LIVING
- **OTHER GOALS**: SOCIETIES PURSUE ADDITIONAL GOALS, SUCH AS ENVIRONMENTAL PROTECTION



Transcranial pulsed ultrasound



4 MAIN ECONOMIC SYSTEMS



TRADITIONAL

- BASED ON CUSTOMS AND BELIEFS
 - AGRICULTURE
 - HAND CRAFTED GOODS
 - TYPICALLY NO ORGANIZED GOV'T.



COMMAND

- INDIVIDUALS HAVE LITTLE/NO INFLUENCE
- GOV'T CONTROLS FACTORS OF PRODUCTION
- USED IN:
 - NORTH KOREA
 - CHINA
 - LAOS
 - CAMBODIA
 - CUBA
 - VIETNAM
 - (FORMER SOVIET UNION)



MARKET

- GOVERNMENT HAS NO INTERVENTION IN ECONOMIC DECISIONS
- USED WHERE?
 - Hong Kong
 - Singapore



MIXED

- CHARACTERISTICS FROM ALL ECONOMIC SYSTEMS
- MOST COMMON
- USED IN THE UNITED STATES



CAPITALISM

■ A. DEFINITION:

- MEANS OF PRODUCTION ARE PRIVATELY OWNED
- SUPPLY AND DEMAND DETERMINE PRICES
- BUSINESS HAS FREEDOM TO MAKE DECISIONS



CAPITALISM



B. ADAM SMITH

1. *THE WEALTH OF NATIONS* 1776

C. LAISSEZ FAIRE THEORY – “HANDS OFF”

- 1) Capitalism w/o gov't regulation
- 2) Laissez faire Capitalism was blamed for the following conditions following the Industrial Revolution
 - 1) CHILD LABOR
 - 2) LOW WAGES
 - 3) NO BENEFITS (UNEMPLOYMENT)
 - 4) DANGEROUS/UNHEALTHY WORKING CONDITIONS

CAPITALISM

- 3) FREE ENTERPRISE (capitalistic ideal)
 - 1. EQUAL OPPORTUNITIES
 - 2. SUCCESS AND FAILURE



ADVANTAGES

EFFICIENCY:

Many buyers and sellers, resources are used in the most profitable way

FREEDOM:

Producers have freedom (profit motive),
Producers keep the fruits for their efforts

SATISFACTION:

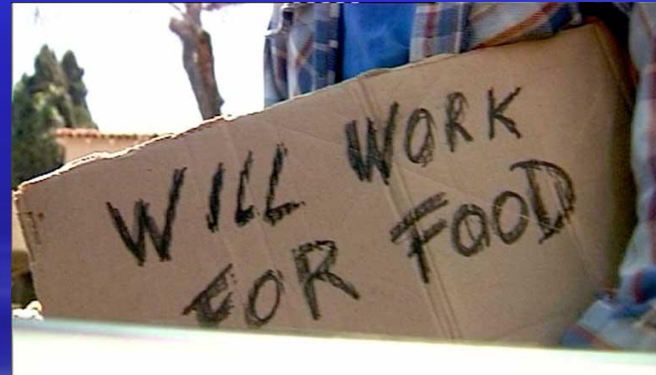
Variety of products are produced to satisfy the consumer

DISADVANTAGES

- PURE CAPITALISM (Laissez-Faire)

Ignores:

- The poor
- The unemployed
- The elderly



*Develops a wide range of “social classes”

*Monopolies/Oligopolies can be developed



MIXED CAPITALISM

- INDIVIDUALS CONTROL BUSINESS WITH GOVERNMENT REGULATIONS
- UNITED STATES



SOCIALISM

- DEFINITION:
 - DEMOCRATIC MEANS SHOULD BE USED TO DISTRIBUTE WEALTH EVENLY



SOCIALISM

A) CHARACTERISTICS

- 1) COLLECTIVE OWNERSHIP
- 2) DEMOCRATIC IDEALS
- 3) RE-DISTRIBUTION OF WEALTH TO PREVENT CONCENTRATION OF WEALTH

B) GOVERNMENT RESPONSIBILITIES

- 1) FREE MEDICAL AND DENTAL
- 2) FREE EDUCATION
- 3) SOCIAL SECURITY
- 4) HOUSING
- 5) GUARANTEED EMPLOYMENT

ADVANTAGES

- EQUALITY (Wages are nearly identical)
- SOME SOCIAL BENEFITS (health care, education, military defense)
- FULL EMPLOYMENT

"Education is not preparation for life;
education is life itself."

~John Dewey



DISADVANTAGES

- LESS EFFICIENT THAN CAPITALISM
(MORE WORKERS THAN NECESSARY)
- TAXES ARE VERY HIGH



COMMUNISM

- EXTREME FORM OF SOCIALISM
- DEFINITION:
 - ALL PROPERTY COLLECTIVELY OWNED
 - JOBS - FOR ADVANTAGE OF THE COMMUNITY
 - EVERYONE CONSUMES ACCORDING TO NEEDS



COMMUNISM

- B) POWER RESTS WITH THE CENTRAL GOVERNMENT (DICTATOR)

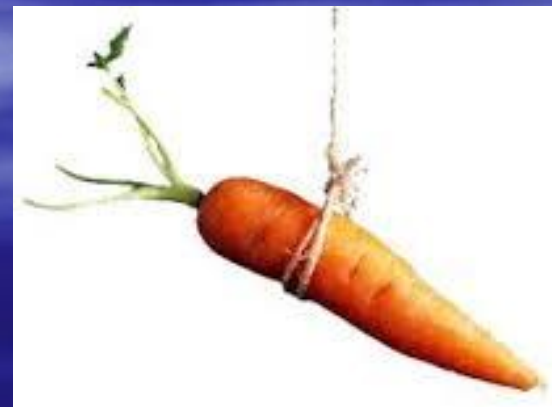


ADVANTAGES

- UNFORTUNATE AND UNPRODUCTIVE PEOPLE STILL SHARE IN THE BENEFITS
- EQUAL SHARE OF RESOURCES

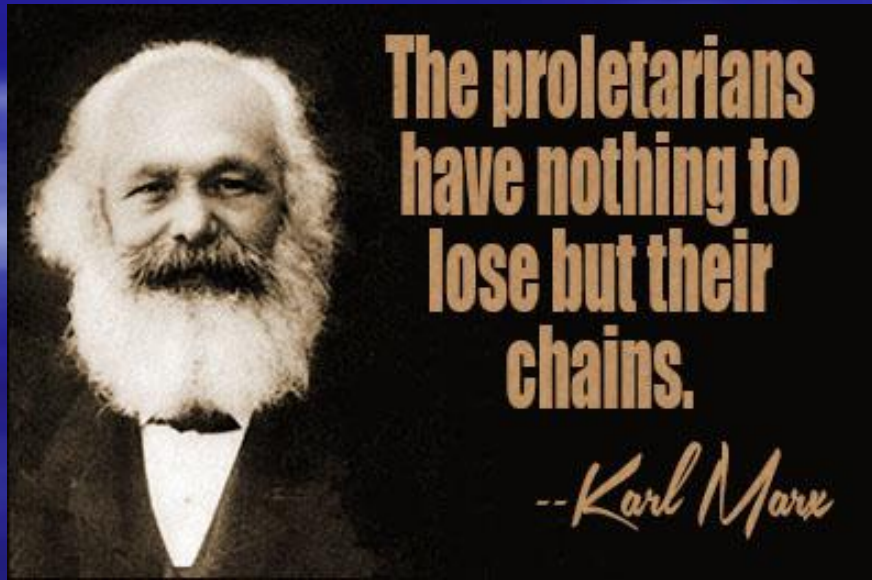
DISADVANTAGES

- INDIVIDUAL FREEDOM LOST
- NO INCENTIVES
- CONSUMERS' LACK OF CHOICE
- LACKS FLEXIBILITY TO DEAL WITH CHANGES
- HIGH TAXES



COMMUNISM

- BACKGROUND OF KARL MARX
 - 1) COMMUNIST MANIFESTO (1848)
 - * Short book, talked of revolt
 - 2) DAS KAPITAL
 - * Outlined:
 - A) WHAT IS WRONG WITH CAPITALISM
 - B) HOW COMMUNISM WOULD TAKE OVER
 - C) WHAT THE FUTURE UTOPIA WOULD BE LIKE



FASCISM

- A. Definition: A form of capitalism (private ownership) with strict government control
- *Wages
 - *Prices
 - *Production
- B. Involves a Dictatorship
- C. Extreme Nationalism – Militaristic
- D. Racial Purity

