

TUESDAY, FEBRUARY 4TH

Economics Unit 1: Intro to Econ

ENTRY TASKS:

- Sit in your assigned seat.
- Take out your Personal Brand Project if you didn't present yesterday.
- Turn in your signed syllabus form if you haven't already.

TODAY

- ✓ Finish Personal Brand Presentations
- ✓ Popsicle Sticks (draw names for next week's Current Events)
- ✓ Begin Chapter 1

CURRENT EVENTS

- Two students will present a current event every Tuesday (Extended Learning Day).
- Students' popsicle sticks will be drawn from the can each week to determine who presents the following week.
- You'll present a current event from your assigned week's news to the class.
- You'll need to include:
 - ✓ WHO?
 - ✓ WHAT?
 - ✓ WHERE?
 - ✓ WHEN?
 - ✓ WHY?
 - ✓ SO WHAT?

INTRO QUESTION

What's the difference between a WANT and a NEED? Think of an example of each. Write your thoughts down if you need to. We'll come back to this later.

UNIT ONE:

INTRODUCTION TO ECONOMICS

Chapter 1: What is Economics?

Chapter 2: Economic Systems & the American Economy

CHAPTER ONE OVERVIEW

Chapter 1, Section 1: The Basic Problem in Economics

- Wants, Needs, & Choices
- The Problem of Scarcity
- Factors of Production

Chapter 1, Section 2: Trade-Offs

- Trade-Offs
- Production Possibilities Curve

Chapter 1, Section 3:

- Economic Models
- Schools of Economic Thought

SECTION ONE: THE BASIC PROBLEM IN ECONOMICS

Wants, Needs, & Choices
The Problem of Scarcity
Factors of Production

CHAPTER 1.1 VOCABULARY

- Economics
- Microeconomics
- Macroeconomics
- Scarcity
- Factors of Production
- Land
- Labor
- Goods
- Services
- Capital
- Productivity
- Entrepreneurship
- Technology
- Adam Smith

WANTS, NEEDS, & CHOICES

Main Idea:

The basic problem in economics is HOW to satisfy UNLIMITED WANTS with LIMITED RESOURCES

- **Think-Pair-Share:** Think back to today's Entry Task. What is the difference between a WANT and a NEED? Give an example of each.

WANTS, NEEDS, & CHOICES

WHAT IS ECONOMICS?

Definition:

the study of how individuals, families, businesses, & societies use LIMITED RESOURCES to fulfill UNLIMITED WANTS

- *Microeconomics*: behavior and decision-making made by smaller units, such as individuals and firms
- *Macroeconomics*: focuses on the economy as a whole; the decision-making made by large units such as the government

WANTS, NEEDS, & CHOICES

CONFUSION OF WANTS WITH NEEDS

People often confuse wants with needs.

Thus, in a world of LIMITED RESOURCES, people satisfy UNLIMITED WANTS by making choices.

- Individuals must make choices
- Businesses must make choices
- Societies must make choices

QUESTION

What are some daily choices you make regarding your TIME and INCOME?

Take 2-3 minutes to discuss with your elbow partner. Then, we'll share out.

THE PROBLEM OF SCARCITY

Main Idea:

Scarcity exists because people's incomes and time are limited

- Everything that exists is limited – there's a fixed amount.
- People must make choices.
- People have competing uses for resources.

THE PROBLEM OF SCARCITY

WHAT IS SCARCITY?

Definition:

A basic economic problem that results from a combination of limited resources and unlimited wants.

- Not to be confused with SHORTAGES (these are *temporary*, i.e. food shortages caused by a hurricane)
- Even rich people experience scarcity! They don't have unlimited TIME.

FACTORS OF PRODUCTION

Main Idea:

Scarce resources require CHOICES about uses of factors of production.

These are the RESOURCES that are needed to produce goods and services:

1. Land
2. Labor
3. Capital
4. Entrepreneurship
5. Technology*

FACTORS OF PRODUCTION

LAND

Natural resources that exist without human intervention.

- Surface land & water, plus fish, animals, trees, mineral deposits, and other "gifts of nature"



FACTORS OF PRODUCTION

LABOR

Human effort directed toward producing goods & services; it's the work people do (AKA: a human resource)

PS:

- *Goods*: tangible items we can buy
- *Services*: activities done for others for a fee

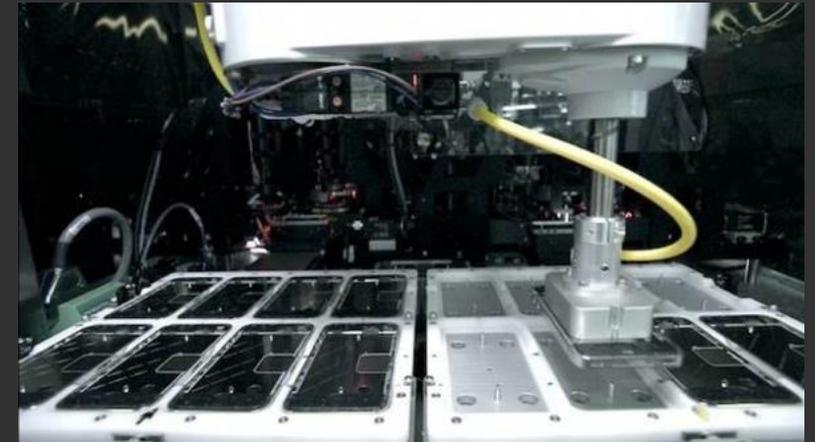


FACTORS OF PRODUCTION

CAPITAL

Previously manufactured goods used to make other goods and services

- For example: machines, buildings, & tools used to make cars
- When land + labor + capital are combined, the value of all 3 factors of production increases
- Capital increases PRODUCTIVITY (the amount of output that results from a given level of inputs)



FACTORS OF PRODUCTION

ENTREPRENEURSHIP

When individuals take risks to develop new products and start new businesses in order to make a profit

- It involves initiative and taking risks to reap profit
- NOTE: 30% of all new business enterprises fail!!! Out of the 70% that make it, only a few become very successful



FACTORS OF PRODUCTION

TECHNOLOGY

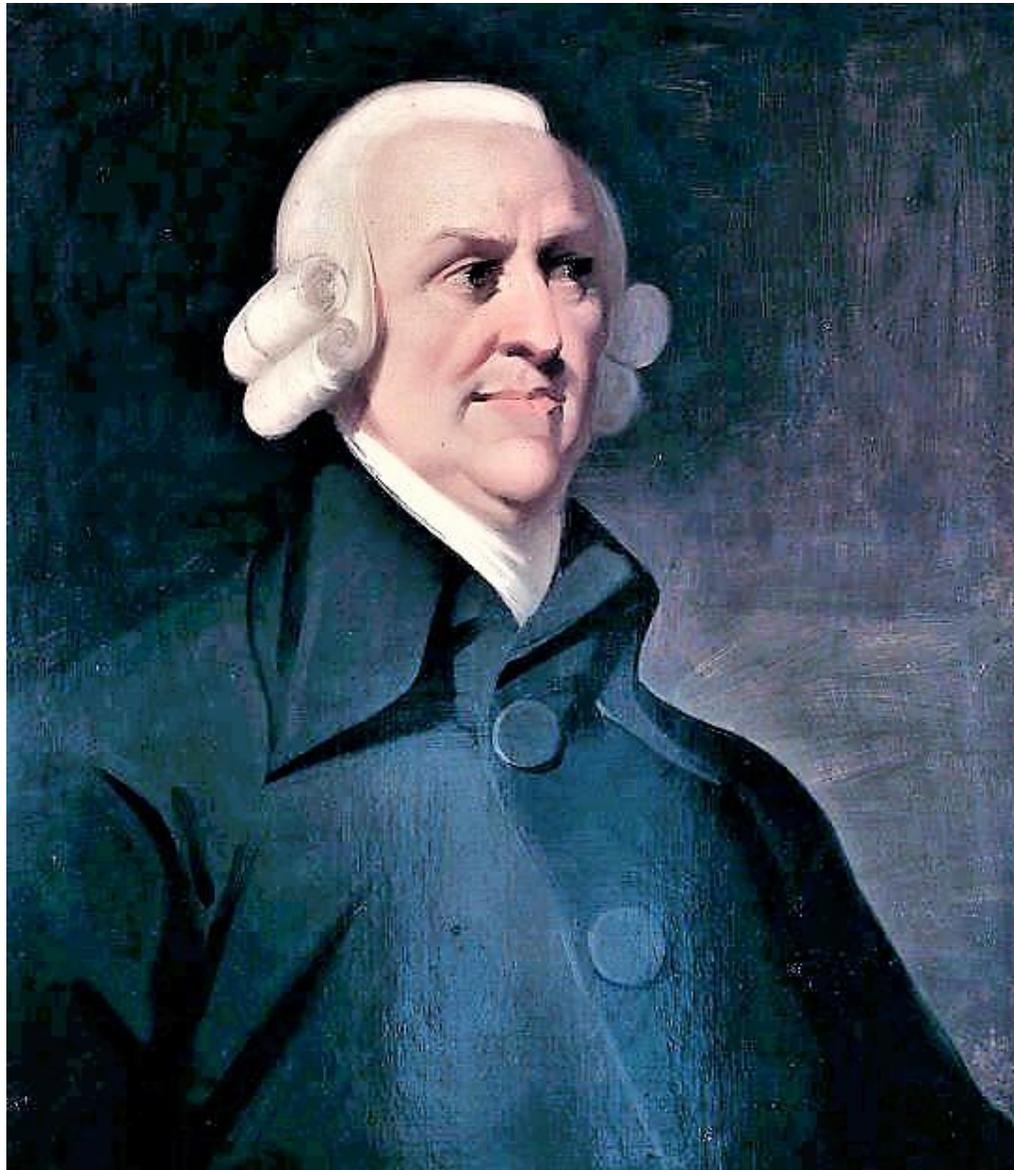
The use of science to develop new products and new methods for producing and distributing goods and services

- For example, computerized word processing was developed to replace the typewriter



TABLE DISCUSSION

- Get into groups of 3-4 and select a local business.
- Identify each Factor of Production for your business:
 - Land
 - Labor
 - Capital
 - Entrepreneurship
 - Technology
- Then we'll share out!



ADAM SMITH

- The founder of classical economics
- Wrote: *An Inquiry Into the Nature and Causes of the Wealth of Nations*
- **Argued:** general welfare of society is best promoted by allowing individuals to pursue self-interest within the law
- **Believed:** government intervention is counterproductive – it diminishes the value of production of land and labor

THURSDAY, FEBRUARY 6TH

Economics Unit 1: Intro to Econ

ENTRY TASK:

Recall - what is the BASIC PROBLEM in economics?

You can check your notes!

TUESDAY RECAP

- The basic problem in economics = HOW to satisfy UNLIMITED WANTS with LIMITED RESOURCES
- Wants are NOT the same thing as needs
- Scarcity exists because people's incomes and time are limited
- The 5 factors of production are:
 - 1.Land
 - 2.Labor
 - 3.Capital
 - 4.Entrepreneurship
 - 5.Technology*

CHAPTER ONE OVERVIEW

Chapter 1, Section 1: The Basic Problem in Economics

- Wants, Needs, & Choices
- The Problem of Scarcity
- Factors of Production

Chapter 1, Section 2: Trade-Offs

- Trade-Offs
- Production Possibilities Curve

Chapter 1, Section 3: What Does an Economist Do?

- Economic Models
- Schools of Economic Thought

SECTION TWO: TRADE-OFFS

Trade-Offs

Production Possibilities Curve

CHAPTER 1.2 VOCABULARY

- Trade Off
- Opportunity Cost
- Production Possibilities Curve

TRADE-OFFS

Main Idea:

Economic decisions always involve trade-offs that have costs

- Definition of **Trade-Off**: sacrificing one good or service to purchase or produce another
- *Cost* of Trade-Offs: what you give up in order to get or do something else
 - Time
 - Money
 - Another good or service

TABLE DISCUSSION

What is a trade-off you recently made?
Be ready to share out.

TRADE-OFFS

OPPORTUNITY COSTS

Opportunity cost: the value of the next best alternative given up for the alternative that was chosen

- The SINGLE next best alternative
- It's something you lose / *the thing you gave up*
- For example: Congress votes on \$220M plan for highway improvement over medical research. Thus, to Congress, the opportunity cost of building highways is less than medical research

TABLE DISCUSSION

Talk about the opportunity cost of your post-secondary plans. Be ready to share out.

RHETORICAL QUESTION

What is the main difference between an opportunity cost & a trade-off?

PRODUCTION POSSIBILITIES CURVE

Main Idea:

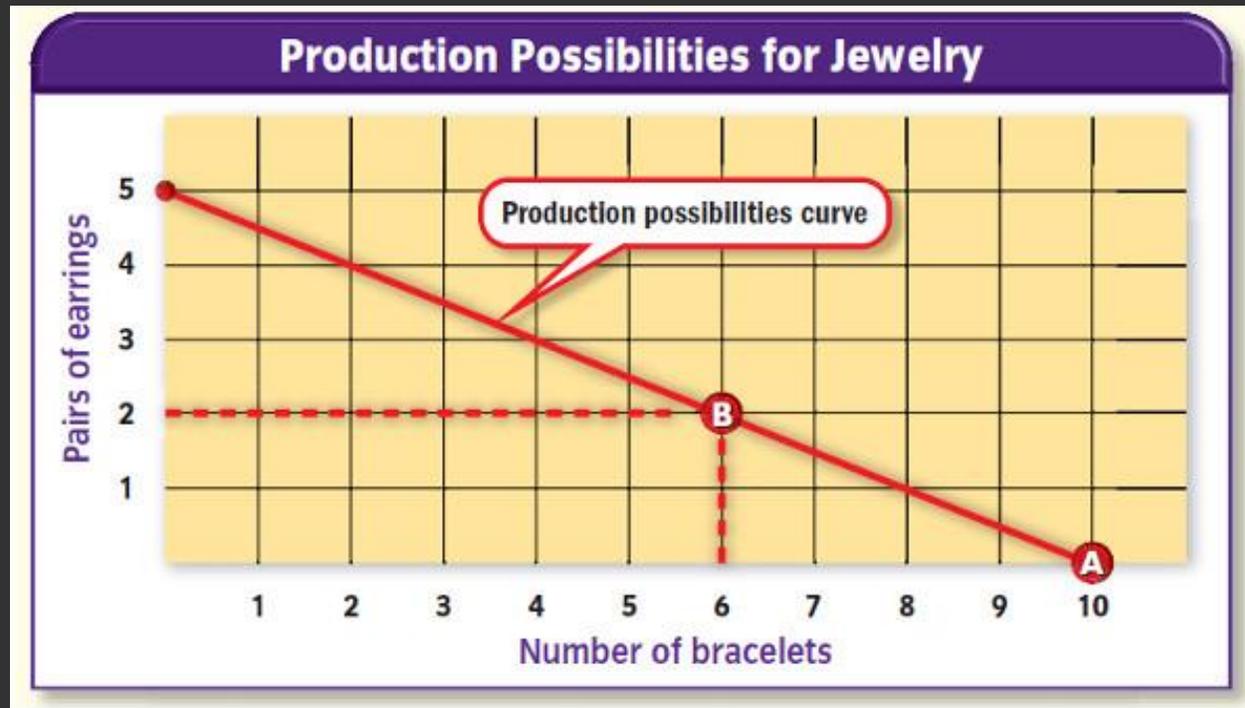
A **Production Possibilities Curve (PPC)** shows the *maximum combination* of goods and services that can be produced with a fixed amount of resources in a given amount of time

- A PPC helps determine how much of each item to produce, thus revealing the trade-offs and opportunity costs involved in each decision
- It can help individuals, businesses, and nations decide how to best use resources
- Must also consider factors other than economics

PRODUCTION POSSIBILITIES CURVE

EXAMPLE OF PPC: JEWELRY MAKING

You can make either 10 bracelets OR 5 pairs of earrings

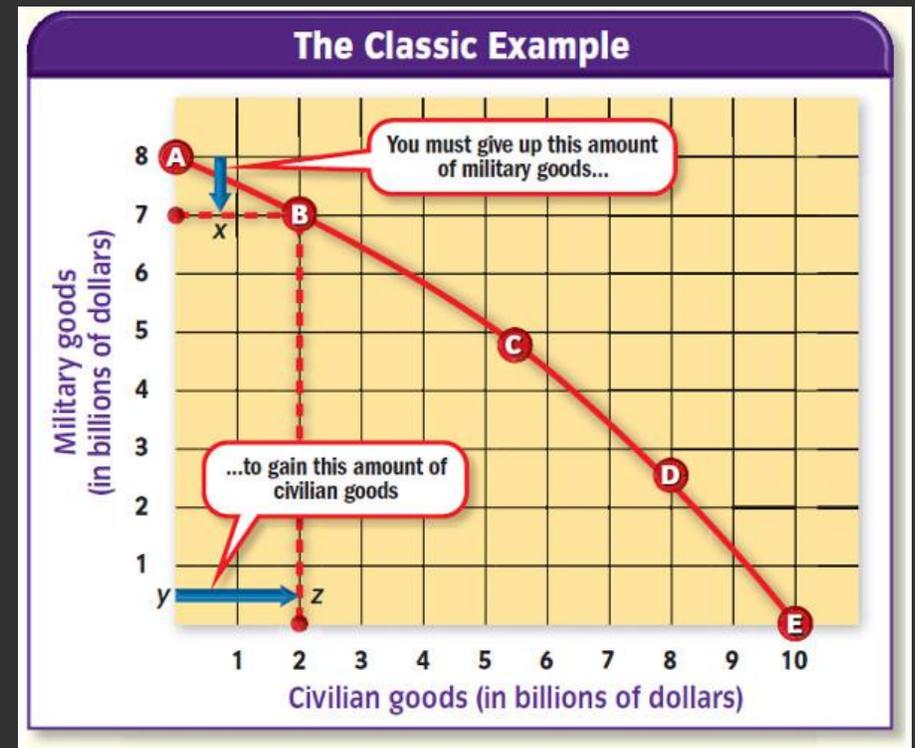


QUESTION: If you make 6 bracelets, how many pairs of earrings can you make? What's the opportunity cost of making 2 pairs of earrings?

PRODUCTION POSSIBILITIES CURVE

GUNS & BUTTER

- Military Goods = Guns
- Civilian Goods = Butter
- The amount of military goods given up in a year is the **OPPORTUNITY COST** of increasing the production of civilian goods
- In the United States, President & Congress decide the curve of the nation
- Resources + political & social concerns of citizens also affect curve



FRIDAY, FEBRUARY 7TH

Economics Unit 1: Intro to Econ

ENTRY TASK:

Take out your notes!

THURSDAY RECAP

- Trade-Off = *sacrificing one good/service* in order to purchase or produce a different one
- Opportunity Cost = the value of the **SINGLE NEXT BEST** alternative that was given up for the option that was actually chosen
- PPC = Shows the max combo of goods and services that can be produced (with a fixed amount of resources in a given amount of time)

CHAPTER ONE OVERVIEW

Chapter 1, Section 1: The Basic Problem in Economics

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- Factors of Production

Chapter 1, Section 2: Trade-Offs

- Trade-Offs
- Production Possibilities Curve

Chapter 1, Section 3: What Does an Economist Do?

- Economic Models
- Schools of Economic Thought

SECTION THREE: WHAT DO ECONOMISTS DO?

Economic Models
Schools of Economic Thought

CHAPTER 1.3 VOCABULARY

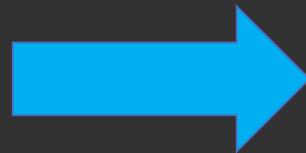
- Economy
- Economic Model
- Hypothesis

ECONOMIC MODELS

Main Idea:

Economists construct models to investigate the way that economic systems work.

Economists STUDY different parts of the economy (i.e. spending habits, unemployment rates, etc)



While studying parts of the economy, economists formulate THEORIES and gather data

ECONOMIC MODELS

WHAT ARE THEY AND WHAT DO THEY SHOW?

Economic Model: theory or simplified representation that helps explain and predict economic behavior in the real world

- Help us understand, predict, and explain economic behavior
- Help us understand the complexities of the world in simple terms
- Show visual representations of consumer, business, and other economic behavior

ECONOMIC MODELS

CONSTANT FACTOR ASSUMPTIONS

- In economic models, we must assume some factors are held constant (i.e., cost of inputs, available time)
- These are important to hold constant because in the real-world, many things may be changing at once
- Models hold everything steady EXCEPT the variables assumed to be related

ECONOMIC MODELS

HOW TO CREATE ONE

1. Start with an IDEA about how things work
2. Collect facts and discard information that's irrelevant
3. Use a hypothesis: an assumption involving 2+ variables that must be tested for validity
4. Then TEST it! Economists can see if it does a good job of representing reality (MUST BE TESTED TO SEE IF USEFUL)

SCHOOLS OF ECONOMIC THOUGHT

Main Idea:

Competing theories are supported by economists from different schools of thought

➤ It's important to note that not all economists agree!

SCHOOLS OF ECONOMIC THOUGHT

IN AMERICA

Throughout American history, many economists have stressed the importance of a "laissez-faire" policy in consumer and business affairs to prevent increased unemployment & inflation

- **Democrats:** tend to believe that free markets are unstable and the federal government should sometimes intervene in the nation's economy to help the nation's citizens
- **Republicans:** tend to believe that free markets take care of themselves and that government intervention in the market should be minimal

SCHOOLS OF ECONOMIC THOUGHT

KEY TAKEAWAY

Learning about economics can help us predict WHAT may happen if certain events occur or if certain policies are followed

BUT

Certain schools of thought and/or economic models will not tell us if the outcome will be "good" or "bad"

SCHOOLS OF ECONOMIC THOUGHT

VALUES

Judgements about an outcome or results of a policy/event depends on our values

- *Values* = religious freedom, equal opportunity, freedom from government meddling, etc.
- Economists in the same school of thought may have different judgements about an outcome based on their values

HOMework – DUE MONDAY, 2/10

- Choose a recently enacted U.S. policy or a recent event that has taken place in the United States.
- Find an article about your chosen policy or event.
- Describe how 3 different values could affect an individual's judgements about the outcome/results of the policy or event. The values could be political, religious, social, moral, or environmental.
- Type up your report and bring a printed copy to class on Monday.
- Requirements for report: link to the article, 3-5 sentence description of the event/policy, and list of 3 values that could affect an individual's judgements about the outcome/results of your chosen event/policy (with 2-3 sentence descriptions for each)

MONDAY, FEBRUARY 10TH

Economics Unit 1: Intro to Econ

ENTRY TASK:

Think-Pair-Share: In your own words, describe the US economy.

CHAPTER TWO OVERVIEW

Chapter 2, Section 1: Economic Systems

Chapter 2, Section 2: Characteristics of the American economy

Chapter 2, Section 3: The Goals of the Nation

Chapter 2, Section 4: Socialism & Capitalism

SECTION TWO: ECONOMIC SYSTEMS

Three Basic Questions
Types of Economic Systems

ECONOMIC SYSTEMS AND THE AMERICAN ECONOMY

Chapter 2, Section 1 Vocabulary:

- Economic System
- Traditional Economy
- Command Economy
- Market Economy
- Market
- Circular Flow of Income and Output
- Mixed Economy

ECONOMIC SYSTEMS

Main Idea:

All economic systems face the same basic questions.
What should be produced? How should it be produced?
For whom should it be produced?

Economic system: the way in which a nation uses its resources to satisfy its people's needs & wants

THREE BASIC QUESTIONS

Although nations have different economic systems, they all face the 3 basic questions:

1. What should be produced?
2. How should it be produced?
3. For whom should it be produced?

THREE BASIC QUESTIONS

1) What should be produced?

We live in a world of scarcity & trade-offs.

- Government: roads vs national parks
- City: police officers vs teachers
- Automobile manufacturer: pickup trucks vs SUVs vs minivans vs luxury cars

THREE BASIC QUESTIONS

2) How should it be produced?

- How many laborers will be hired?
- Will skilled laborers or unskilled laborers do the work?
- Will capital goods be used to manufacture the products?
- What kinds of technology will be used in the production process?

What is the best combination of available inputs to get the job done for the lowest possible cost?

THREE BASIC QUESTIONS

3) For whom should it be produced?

The type of economic system under which people live determines how the goods & services will be distributed among its members. The answers vary greatly from country to country.

Products distributed through various ways:

- Price system, majority-rule, through a lottery, first-come-first served basic, sharing equally, military force, etc.

TYPES OF ECONOMIC SYSTEMS

Main Idea:

There are four basic types of economic systems:

- Traditional
- Command
- Market
- Mixed

TYPES OF ECONOMIC SYSTEMS

Traditional System: System in which economic decisions are based on customs and beliefs that have been handed down from generation to generation

- Traditional: "the way they have always been done"
- Jobs are learned from parents and distribution done as always
- *Advantages:* You know what is expected of you, family and community ties are strong
- *Disadvantages:* Change is discouraged, production methods are inefficient, choices are rare, change in material well-being is unlikely
- *Examples:* the Inuit of North America, the Mbuti of the Democratic Republic of Congo, and the Aborigines of Australia

TYPES OF ECONOMIC SYSTEMS

Command System: System in which the government controls the factors of production and makes all the decisions about their values

- Government leaders control the factors of production and make all decisions: what's produced, how resources are used, distribution
- One person, small group of leaders or central planners
- Paid based on what central planners decide
- May not be allowed to choose your career
- *Advantages:* Your life path is given to you
- *Disadvantages:* Lack incentive to work hard or show initiative, lack of choices for the consumer, no reason to work efficiently
- *Examples:* North Korea, Cuba, former Soviet Union

TYPES OF ECONOMIC SYSTEMS

Market System: System in which individuals own the factors of production and make economic decisions through free interaction while looking out for their families' best interests

- Opposite of command, known as pure (AKA: Capitalism)
- Decisions made by individuals looking out for families best interests
- Individuals choose all factors of production
- **Market:** the process of freely exchanging goods & services between buyers and sellers
- Prices in market coordinate interaction between buyers and sellers
- *Advantages:* People have the freedom to choose a career, how to spend their money, to own property, take risks, make investments
- *Disadvantages:* Concern about the too young, old, sick to work – who will provide for them?

TYPES OF ECONOMIC SYSTEMS

Mixed System: System combining characteristics of more than one type of economy

- Combines basic elements of market and command
- Private ownership and individual decision making coupled with government intervention & regulation
- Federal, state, & local laws protect private property and regulate certain areas of business
- *Examples:* United States, France, Sweden, Iceland

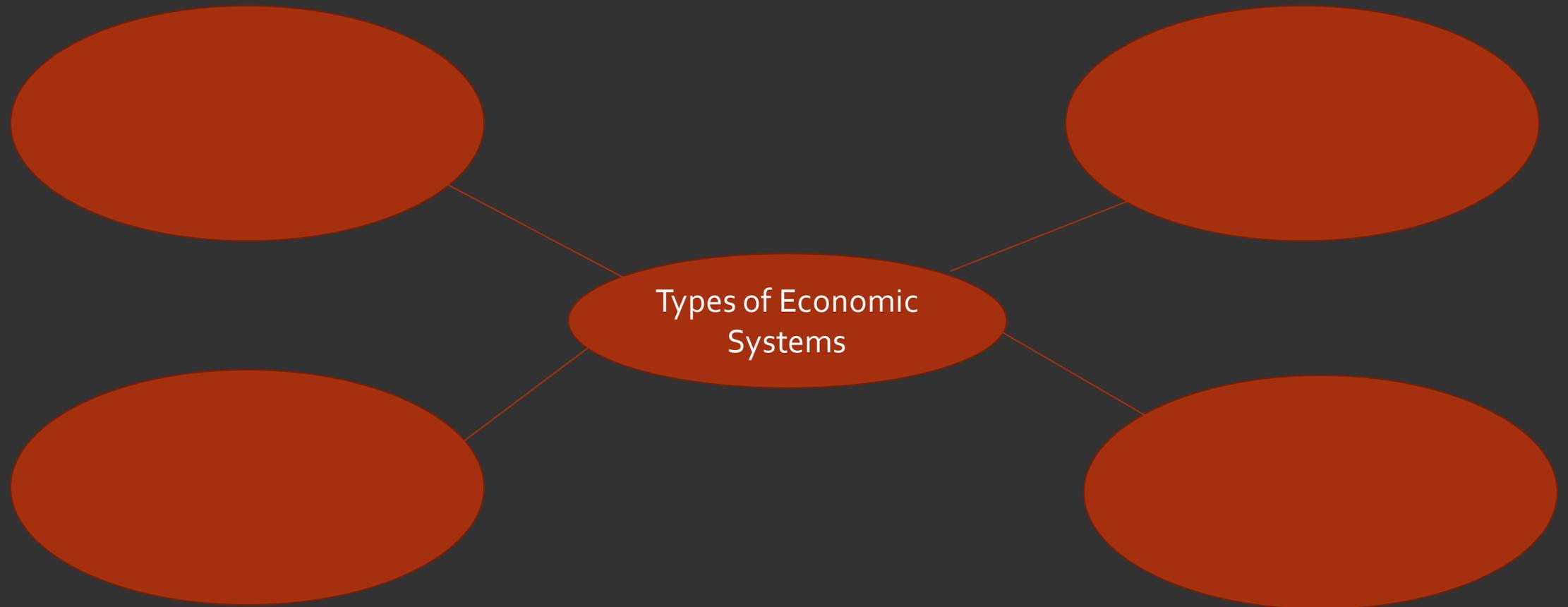
TUESDAY, FEBRUARY 11TH

Economics Unit 1: Intro to Econ

ENTRY TASKS:

Recall: What are the three basic questions that all economic systems face? Be ready to answer!

CONTENT REVIEW: ECONOMIC SYSTEMS



SMALL GROUP PROJECT

- In your small group, you will be assigned one type of economic system. You must choose one country that operates with that type of economic system. On a poster you must...
- Answer the 3 basic questions of economic systems:
 1. What should be produced?
 2. How should it be produced?
 3. For whom should it be produced?
- Include information such as:
 - Unemployment rate
 - Popular jobs
 - Distribution of income
 - Government structure
 - The factors of production
- You'll have 15 minutes to create your poster, then you'll present!

CHAPTER TWO OVERVIEW

Chapter 2, Section 1: Economic Systems

Chapter 2, Section 2: Characteristics of the American economy

Chapter 2, Section 3: The Goals of the Nation

Chapter 2, Section 4: Socialism & Capitalism

SECTION TWO: CHARACTERISTICS OF THE AMERICAN ECONOMY

Limited Role of Government
Other Characteristics

ECONOMIC SYSTEMS AND THE AMERICAN ECONOMY

Chapter 2, Section 2 Vocabulary:

- Capitalism
- Laissez-faire
- Free Enterprise System
- Profit
- Profit Incentive
- Competition
- Private Property

LIMITED ROLE OF GOVERNMENT

Main Idea:

Under capitalism, the government plays a relatively limited role in allocation of resources

LIMITED ROLE OF GOVERNMENT

ADAM SMITH

ADAM SMITH

Described a system in which the government has little to do with a nation's economy

- Individuals left on their own to work in self-interest
- Guided by an "invisible hand" to use resources efficiently and achieve the maximum good for society

LIMITED ROLE OF GOVERNMENT CAPITALISM

Capitalism:

An economic system in which private individuals own the factors of production

- AKA: market system
- AKA: laissez-faire system
- AKA: Adam Smith's ideal economic system

LIMITED ROLE OF GOVERNMENT

PURE CAPITALISM

Pure Capitalism:

Government lets people & businesses make their own economic decisions **WITHOUT** any government interference

LIMITED ROLE OF GOVERNMENT

CAPITALISM IN THE US

Capitalism in the United States today...

Economic system in which private individuals own the factors of production but use them within certain legislated limits (laws, rules, etc)

LIMITED ROLE OF GOVERNMENT

SMITH'S INFLUENCE ON US ECON

Adam Smith's Influence

Influenced our Founders' ideas, especially regarding the limited role of government in military affairs

Since the 1880's, the role of government has increased significantly...

LIMITED ROLE OF GOVERNMENT

GOVERNMENT REGULATION

Increased Regulation:

- Quality of various foods & drugs
- Watch over nation's finances & banking system
- Inspect workplaces
- Guard against environmental damage
- Tax revenue to support social programs

State & local expansion of roles in:

- Job training
- Recreation
- Care for the elderly

OTHER CHARACTERISTICS

Main Idea:

In a free market, economic activity is coordinated by private businesses and individuals responding to market signals

The government's relatively limited role in capitalist economies is only 1 characteristic of these systems...

OTHER CHARACTERISTICS

5 OTHER FEATURES

Other features of an economic system with limited government intervention:

1. Freedom of Enterprise
2. Freedom of Choice
3. Profit Incentive
4. Competition
5. Private Property

OTHER CHARACTERISTICS

FREEDOM OF ENTERPRISE

Freedom of Enterprise

US economy referred to as: capitalism, free-market system, free-enterprise system

Free-enterprise system: economic system in which individuals own the factors of production and decide how to use them within legal limits; same as capitalism

OTHER CHARACTERISTICS

FREEDOM OF ENTERPRISE

Free-enterprise system emphasizes individual ownership of the factors of production

- If you start up a new business, you may become rich or you may lose money

OTHER CHARACTERISTICS

FREEDOM OF ENTERPRISE

Certain restrictions in free-enterprise system:

- Zoning regulations
- Child labor laws
- Hazardous waste disposal

CLASS DISCUSSION

Have you ever purchased a product and been unhappy with it? What was it? What made it dissatisfying? Would you buy it again?

OTHER CHARACTERISTICS

FREEDOM OF CHOICE

Freedom of Choice

Buyers (NOT sellers) make decisions about what to produce

- Success or failure of a good/service depends on individuals freely choosing what they want to buy

OTHER CHARACTERISTICS

FREEDOM OF CHOICE

The marketplace has become increasingly complex as the government has stepped in to protect buyers...

- Safety standards: toys, cars, electrical appliances
- Industries dominated by few companies: public utility companies

QUESTION

What's the main goal when running a business?

OTHER CHARACTERISTICS

PROFIT INCENTIVE

Profit Incentive

When a person invests time/money/know-how/capital resources, the goal is to make profit

Profit (\$) = revenue – costs

OTHER CHARACTERISTICS

PROFIT INCENTIVE

Profit Incentive: the desire to make money that motivates people to sell goods & services

- When businesses fail, owners will move resources elsewhere
- Interaction of profits + losses = an economy that's more efficient, adaptable to change, & continually growing

CLASS DISCUSSION

Think of a good or service you've used recently. What are its rivals? Why did you choose your particular good/service over its competitors?

OTHER CHARACTERISTICS

COMPETITION

Competition

In a free-enterprise system, the lure of profits drives competition

Competition: the rivalry among producers or sellers of similar goods & services to win more business

OTHER CHARACTERISTICS

COMPETITION

Effective competition requires a large number of independent sellers

- No one single company can noticeably affect the price of a product

OTHER CHARACTERISTICS

COMPETITION

Competition creates an efficient use of resources

- Businesses keep prices low enough to attract buyers but high enough make a profit
- Forces businesses to keep costs low

OTHER CHARACTERISTICS

COMPETITION

Competition creates an efficient use of resources

- Businesses keep prices low enough to attract buyers but high enough make a profit
- Forces businesses to keep costs low

OTHER CHARACTERISTICS

COMPETITION

Competition exists when barriers to entry and exit are low/weak

OTHER CHARACTERISTICS

PRIVATE PROPERTY

One of the most important characteristics of capitalism:

Private Property

Whatever is owned by individuals rather than the government

OTHER CHARACTERISTICS

PRIVATE PROPERTY

Individuals have the freedom to:

- ✓ Buy whatever you have the \$ to do so
- ✓ Control how, when, and by whom your property is used
- ✓ Risk investment, own productive assets, & learn new ways of producing... and enjoy the profits

REVIEW

On your notes, complete the following 2.2 review questions:

- Think of a grocery store near you. Give examples of how the store represents 3 of the 6 characteristics of a pure market system.
- How does private property act as an incentive for you to care for the things you own?

THURSDAY, FEBRUARY 13TH

Economics Unit 1: Intro to Econ

ENTRY TASKS:

- **Recall:** What are the 6 main characteristics of the American economy? I'll call on 6 students to share 1 each.

REVIEW:

6 CHARACTERISTICS OF THE US GOVT

6 features of an economic system with limited government intervention, such as the United States:

1. Limited Role of Government
2. Freedom of Enterprise
3. Freedom of Choice
4. Profit Incentive
5. Competition
6. Private Property

CHAPTER TWO OVERVIEW

Chapter 2, Section 1: Economic Systems

Chapter 2, Section 2: Characteristics of the American economy

Chapter 2, Section 3: The Goals of the Nation

Chapter 2, Section 4: Socialism & Capitalism

SECTION THREE: GOALS OF THE NATION

Goals of Free Enterprise
Rights & Responsibilities

PAIR & SHARE

Think-Pair-Share: Consider the following...

- Various goals of the American economy
- Responsibilities of American people in regards to the economy

ECONOMIC SYSTEMS AND THE AMERICAN ECONOMY

Chapter 2, Section 3 Vocabulary:

- Economic efficiency
- Economic equity
- Standard of living
- Economic growth

GOALS OF FREE ENTERPRISE

Main Idea:

The economic goals of free enterprise are:

1. Freedom
2. Efficiency
3. Equity
4. Security
5. Stability
6. Growth

GOALS OF FREE ENTERPRISE

ECONOMIC FREEDOM

Economic Freedom

To allow each member of society the opportunity to make choices

- In America, we have great freedom to make choices to: start a business, make investments, work multiple jobs, work part-time, etc.
- This comes with potential consequences/costs

GOALS OF FREE ENTERPRISE

ECONOMIC EFFICIENCY

Economic Efficiency

Wise use of available resources so as to obtain the greatest possible benefits

- Because of scarcity, if factors of production are wasted, fewer goods & services are produced
- Must be watchful to use lowest-cost way to produce any given amount of output

GOALS OF FREE ENTERPRISE

ECONOMIC EQUITY

Economic Equity

Attempt to balance an economic policy so that everyone benefits fairly

- We encourage policymakers to pass fair & just laws, i.e. equal pay for equal work, fair hiring practices, help for disabled workers, etc.

GOALS OF FREE ENTERPRISE

ECONOMIC SECURITY

Economic Security

Protection against risks beyond our control

- Examples of risks: accidents on the job, natural disasters, business or bank failures, poverty in old age
- In America, we find security through various social programs

GOALS OF FREE ENTERPRISE

ECONOMIC STABILITY

Economic Stability

Goal is to reduce extreme ups & downs in the standard of living

- Standard of living: the material well-being of an individual, group, or nation, measured by how well necessities & luxuries are satisfied
- U.S. has high standard of living

GOALS OF FREE ENTERPRISE

ECONOMIC GROWTH

Economic Growth

Expansion of the economy to produce more goods, jobs, and wealth

- Means producing increasing amounts of goods & services over the long-term
- As population increases, economy must EXPAND to provide for additional wants & needs
- Growth help accomplish the other 5 goals!!!

RIGHTS & RESPONSIBILITIES

Main Idea:

Individuals have both rights & responsibilities within a free-enterprise system

RIGHTS & RESPONSIBILITIES

American free-enterprise system bestows many economic rights & protections for individuals

And because of that...

We must take on certain responsibilities:

1. Provide for yourself/family - use education & skills to be a productive member of society
2. Electing government officials by using knowledge of government policies & analysis of consequences of said policies

GROUP ACTIVITY

GOALS OF FREE ENTERPRISE

- You will be put into 1 of 6 groups.
- Each group will be assigned 1 of the 6 goals of free-enterprise systems.
- Each group will make an "informational poster" for their assigned goal.

GROUP ACTIVITY

GOALS OF FREE ENTERPRISE

Requirements for poster:

- Costs of your goal
- Benefits of your goal
- Trade-offs involved in achieving your goal
- Examples of how you as an American citizen are affected by the costs, benefits, & trade-offs of your assigned goal

FRIDAY, FEBRUARY 14TH

Economics Unit 1: Intro to Econ

ENTRY TASK

Think-Pair-Share: Think of how you spend your time each day. Some goods & services are a result of our capitalist economy, others are provided by the government. Of the goods & services you've used over the last 24 hours, which were made for a profit and which were provided by the government?

CHAPTER TWO OVERVIEW

Chapter 2, Section 1: Economic Systems

Chapter 2, Section 2: Characteristics of the American economy

Chapter 2, Section 3: The Goals of the Nation

Chapter 2, Section 4: Socialism & Capitalism

SECTION FOUR: SOCIALISM & CAPITALISM

Pure Socialism
The Benefits of Capitalism

ECONOMIC SYSTEMS AND THE AMERICAN ECONOMY

Chapter 2, Section 4 Vocabulary:

- Socialism
- Proletariat
- Communism
- Democratic socialism
- Authoritarian socialism

PURE SOCIALISM

Main Idea

Pure socialism is characterized by centralized economic planning and state ownership of the factors of production.

PURE SOCIALISM

WHAT IS SOCIALISM?

Socialism: an economic system in which the government owns the major factors of production and attempts to manage output and the distribution of goods

- Few examples of pure command socialism exist today. Most extensively controlled economies today are in North Korea and Cuba.

PURE SOCIALISM

CHARACTERISTICS OF PURE SOCIALISM

- Most prices are **set by state**, rather than by supply & demand
- Movement of resources (especially labor) is **strictly controlled**; central planning authority makes all decisions
- Most of major factors of production **owned by the state**; private property rights strictly limited to small tools a person may use for an occupation
- **Individual risk-taking is not allowed**; state takes all the risk when deciding which new companies shall be formed; all citizens pay for unsuccessful risk-taking
- Economic decisions about what/how/for whom to produce goods are **made by state officials** through central planning
- Taxation often used to **redistribute income**

PURE SOCIALISM

MARXIAN VIEW OF SOCIALISM

Karl Marx believed that...

- History is a continual struggle between classes of a society
- Capitalists exploited the proletariat
- When capitalists sold a good & kept the profit, they were taking income that belonged to the proletariat
- Capitalism was ultimately doomed to fail (Marx outlined the eventual collapse of capitalism & his predicted evolution of socialism into communism)

PURE SOCIALISM

COMMUNISM THEN & TODAY

Marx's communism: term used for his idealized society in which no government is necessary

Today's communism:

- Any authoritarian socialist system that supports revolution to overthrow capitalism and bring about socialist goals
- Ironically, instead of "no government," communist systems typically demonstrate that a central government controls the entire economy

PURE SOCIALISM

SOCIALISM SINCE MARX

In the 20th century, socialism split into 2 major trends:

DEMOCRATIC SOCIALISM

System that works within the constitutional framework of a nation to elect socialists to office; the government usually controls only some areas of the economy

AUTHORITARIAN SOCIALISM

System that supports revolution as a means to overthrow capitalism and bring about social goals; entire economy is controlled by the central government (aka communism)

PURE SOCIALISM

CHANGE FROM CAPITALISM TO SOCIALISM, VIA MARX

STEP ONE

Capitalism would suffer extreme recessions & depressions that would harm workers. A few rich capitalists would have all power.

STEP TWO

A wide gap between the rich and poor would cause workers to unite and overthrow capitalism.

STEP THREE

Victorious workers would establish a new socialist system. Workers (through the state) would own & control production.

STEP FOUR

The system would evolve into pure communism. Workers would contribute to society to their full abilities and take only what they needed in return.

BENEFITS OF CAPITALISM

Main Idea

The main benefits of capitalism are economic efficiency and individual freedom.

- Many economists like to compare the advantages and disadvantages of capitalism and socialism. Often, such comparisons are based on individual values.

BENEFITS OF CAPITALISM

SUPPORTERS OF CAPITALISM

Supporters of capitalism: place a high value on personal freedom, initiative, and individuality

Point out that...

- Socialism brings extensive government intervention in all parts of the economy and, by necessity, people's personal lives
- Capitalism allows for more efficiency in the marketplace and greater rates of economic growth

BENEFITS OF CAPITALISM

ALL ECONOMIES ARE PLANNED...

It's often said that pure socialism requires centralized planning and pure capitalism does not.

- In reality, all economies are planned.
- Difference in capitalism planning vs socialism planning: WHO does the planning.
 - Capitalistic economy: private firms, individuals, elected government officials
 - Pure socialist economy: central planners

BENEFITS OF CAPITALISM

ALL ECONOMIES ARE PLANNED...

Some problems with real-world capitalism:

- Income is unequally distributed
- While there are generally enough government-provided goods like highways, there are not enough schools & museums for the general public

MONDAY, FEBRUARY 24TH

Economics Unit 1: Intro to Econ

ENTRY TASKS:

- Take 5 minutes to review Ch 2 notes!

TODAY

- Chapter 2 quiz
- Time to finish your Unit 1 activity packet
- Unit 1 study/review time (I recommend you make a study guide)

Economics Unit 1 Study Guide

Introduction to Business

Chapters 1-2

1. Key Terms

Economics	Micro Economics	Macro Economics	Scarcity
Factors of Production	Land	Labor	Goods
Services	Capital	Productivity	Entrepreneurship
Technology	Trade Off	Opportunity Cost	PP Curve
Economy	Economic Model	Hypothesis	Economic System
Traditional Economy	Command Economy	Market Economy	Market
Circular Flow Of I/O	Mixed Economy	Capitalism	Laissez-Faire
Free Enterprise	Profit	Profit Incentive	Competition
Private Property	Economic Efficiency	Economic Equity	Standard of Living
Economic Growth	Socialism	Proletariat	Communism
Democratic Socialism	Authoritarian Socialism		

2. Key Ideas

The 5 Factors of Production

Production Possibility Curve (Be able to create)

The 3 Economic Questions

The 4 Types of Economies

Characteristics of the American Economy

Goals of Free Enterprise

Socialism vs. Capitalism

TUESDAY, FEBRUARY 25TH

Economics Unit 1: Intro to Econ

ENTRY TASK

- Take out your Guided Reading Packet and/or study guide.

TODAY

- 45 minutes of independent study/review time
- Unit 1 Kahoot!
- Thursday: Unit 1 Test

THURSDAY, FEBRUARY 27TH

Economics Unit 1: Intro to Econ

ENTRY TASK

- Put away your: notes, cell phone, laptop, etc. Time for the Unit 1 Test!