



Unit 1:

Introduction to

Economics

Chapters 1 & 2

- What is a **market**?
 - Any place or method used by buyers and sellers to exchange goods and services.
- What kind of market system is used in the United States?
 - A **Free Market System** or Free Enterprise System



Markets

- Businesses and customers are free to buy and sell products.
- Minimal government restrictions

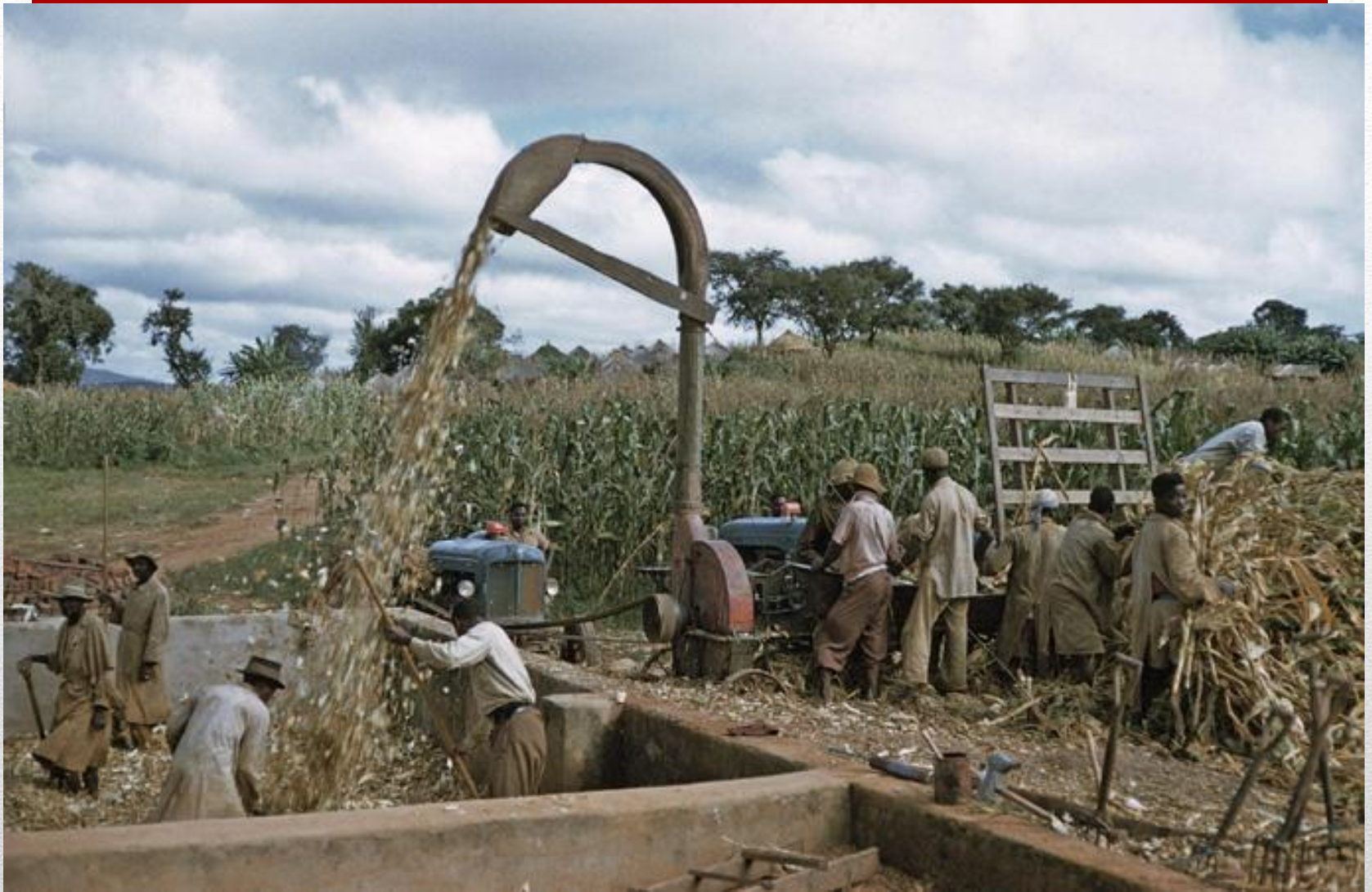
Free Market System



- What are some things you want?
- What limits your wants? Why can you not get things?
 - Money, time, and resources are all limited
- What scarcities exist in Colorado?

Scarcity





Resources – 3 Types



MICRO OF MACRO!

- General Motors, Mexico, Colorado, Apple, Apples, the Chicago Bears, the NBA, banks

Economics

- **1. Private Property Rights**
 - People can own businesses, land, resources,
 - People are allowed to create wealth, borrow money, and take risks
- **Public Property**
 - Things owned by everyone through the government
 - Libraries, parks, roads, museums, zoos, state or national parks, highways, airports,

Principles of Free Markets



- **2. The Profit Motive**

- Why do people start businesses?
- Free Markets encourage people to make more profit
 - Profit- Total money made minus costs
- Some economic systems limit the amount of money that can be made.

Principles of Free Markets



• 3. Competition

- There are rivalries between companies
 - They compete against each other for your money
 - A successful company or product will have imitators or copy cats
 - Competition creates a large selection of products and also lower costs.
-
- **Coca-Cola, Ford, Boeing, Conoco, King Super, T-Mobile, McDonalds, Home Depot, Apple, Nike**

Principles of Free Markets

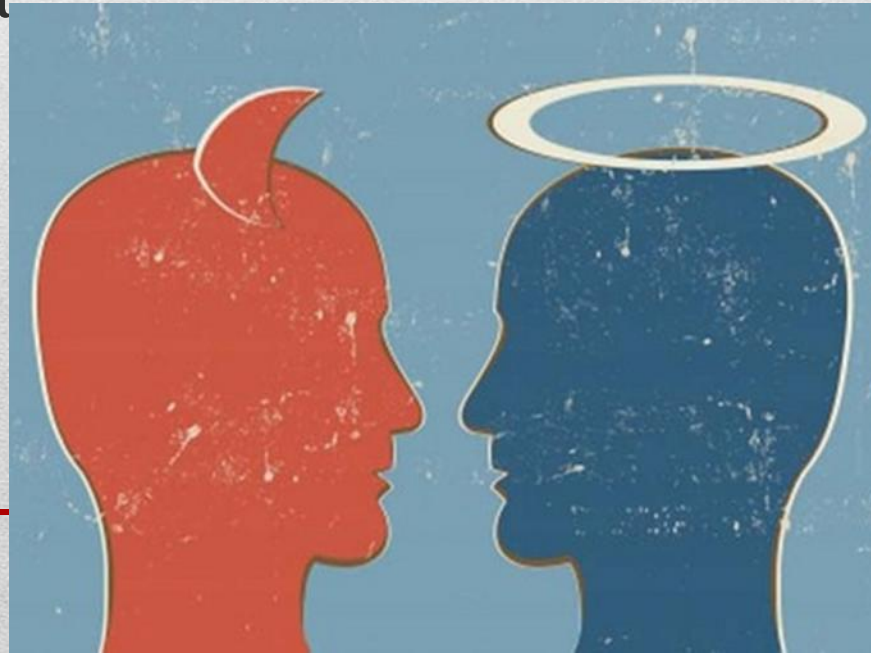




- **4. Consumer Sovereignty**
 - Customers have the power!
 - Consumers vote with their dollars
 - Popular products make money and unpopular products disappear and companies go out of business.

Principles of Free Markets

- **Ethics-** study of right and wrong
 - Why might companies want to do something that costs more?
 - Waste disposal v. Dumping
 - Donations to community projects
 - Safe products v. Lead paint
 - Good wages for workers, benefits, healthcare, etc.
 - Wal-Mart v. Cosco
-





WHAT'S
IN IT
FOR ME?

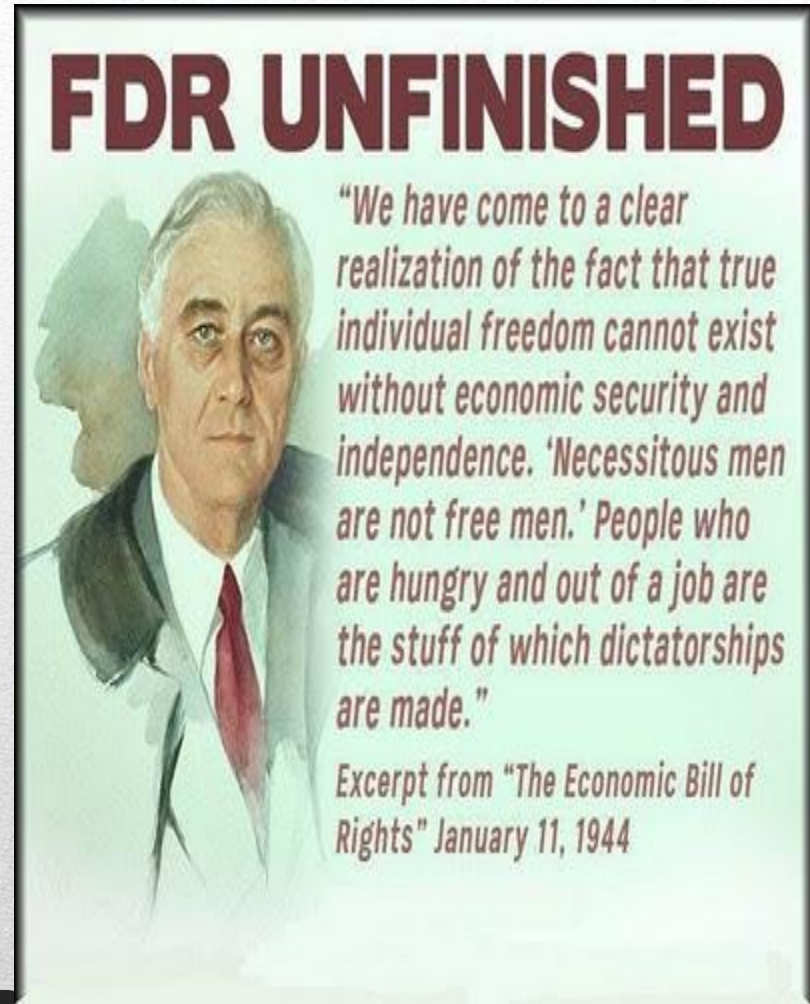
- **5. Freedom of Choice**

- **Voluntary Exchange-** buyers and sellers decide what to sell and buy
- **Self-Interest-** focus of buyers and sellers, people do what they want

Principles of Free Markets

- **Economic Freedom-**
 - People can own property and businesses
 - Consumers have the right to spend money
 - Workers have the right to change jobs, join a union, or strike.

Economic Goals



- **Economic Efficiency**
 - Make more with less
 - Avoid wasting resources
 - Workers make as much as they can
 - Businesses try to reduce waste, lower costs, increase profits



Economic Goals

• Economic Security

- Protection against economic hardships
- Society decides how to protect people in hard times
 - SNAP, Free-Reduced Lunch Programs, Social Security, Welfare, Medicare, Medicaid, FAFSA, Unemployment Benefits, FEMA, Job Training, subsidies for further education...



PHOTO: JOHN E. COUGHLIN

Economic Goals



• **Economic Equity**

- Society decides the who, what, and how much
 - Who participates in the economy
 - Who wins and who loses
 - Who owns wealth and who does not
 - What groups are better or worse off in an economic system.
-
- How well does this work in the United States?



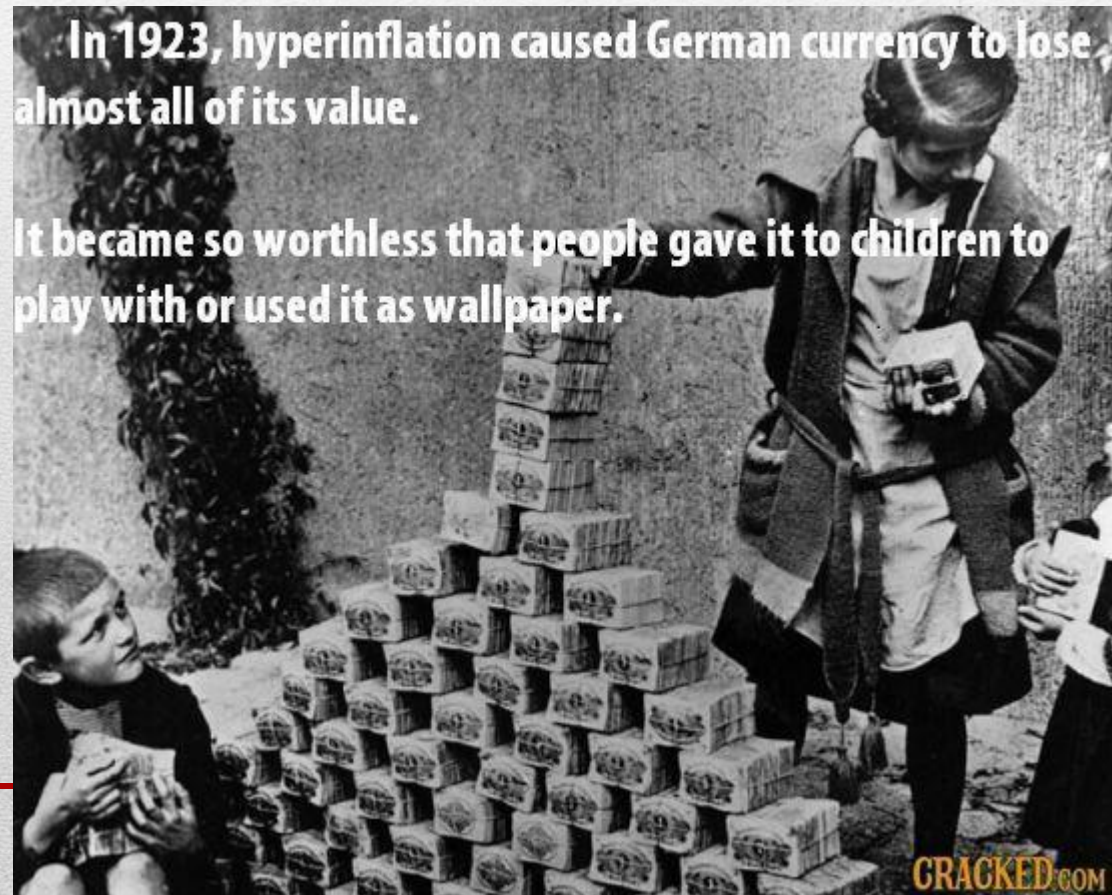
Economic Goals

- **Full Employment and Stable Prices**

- Everyone who want a job gets a job.
- Prices do not stay the same but few spikes or falls

- Why is this important?

Economic Goals



- **Economic Growth**

- To improve the **standard of living**, economies need to grow – the level of well-being
- When an economy grows jobs are many and many new products can be purchased



• 1. What Products will be Produced?

- Should there be more health care or military supplies, large cars or small, more tablets or laptops, etc.
- Limited resources, scarcity, demands that decisions be made about how to use the resources.



The 10 largest military spenders, 2011



Fundamental Questions



- **How to Produce?**

- How will products be produced?
 - By hand or machine?
 - Electricity from hydroelectric, oil, tidal, solar?
- Usually, products are made in a way to minimize cost
 - The cheaper the better for the company

Fundamental Questions

• **For Whom to Produce?**

- Who will be rich and famous and who will be poor and unknown?
- People who earn more money can buy more products
- Should an economy be for only those who produce, complete equity for all, should the government control all or nothing, should it be a blend?

Fundamental Questions

- **Economic System-** method used to answer the *What, How, and For Whom* questions

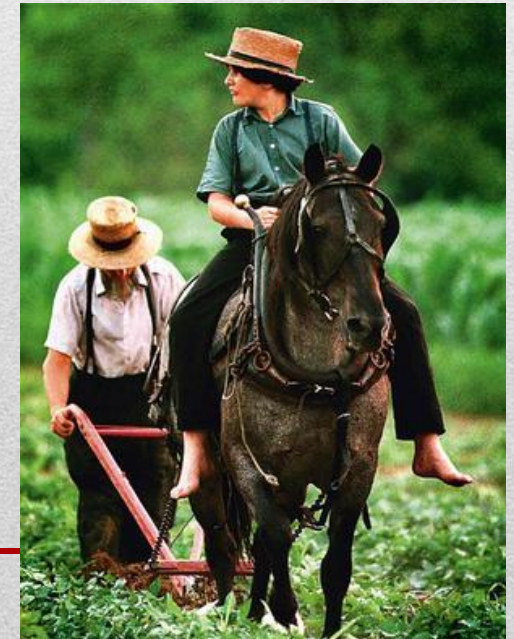
Types of Economic Systems

- **Traditional Economy**

- Copy of the way previous generations did things
- It is the way it has always been done.
- Lowers tension within the society but can also limit individual initiative or drive
 - Inuits, the Amish...



Types of Economic Systems



- **Market Economy**

- Business and consumers coordinate buying and selling without central government planning.
- Also known as **capitalism**
- Adam Smith- Scottish economist who wrote “The Wealth of Nations”
 - Argued the **invisible hand** of self interest controls the market and competition controls the economy.

Types of Economic Systems



• Socialism-

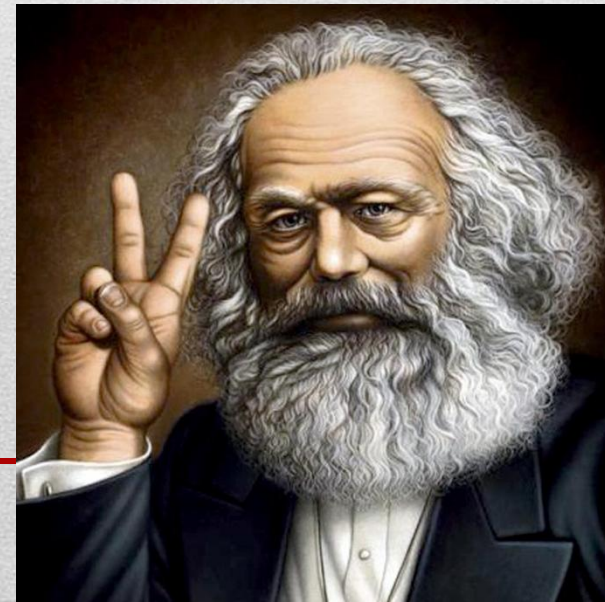
- A type of command economy where the State owns resources and means of production
- In theory the State runs corporations for the good of the people and limits profits to help others and maintain equity in society

Types of Economic Systems



- Wrote “Das Kapital,” 1867-1894, and “The Communist Manifesto” in 1848.
 - 1848 was a year of massive protests and revolution all over Europe over inequality
 - Marx thought that the Capitalists (business leaders, bank owners, etc.) oppressed workers through exploiting low starvation wages and dangerous conditions while keeping the profits for themselves.
 - Marx believed that true Communism was the eventual destination of all economies since workers would eventually rebel against the horrible conditions.

Karl Marx



- **Communism (Pure Form)**



- **Mixed Economy**
 - Uses parts of traditional, free-market, and command economies
 - No nation is purely capitalist, traditional, or command, they are all some type of mixed.
- **Nationalization** – When a government takes over a private business or industry
 - Venezuela – oil, mining, telecommunications
 - The United States – General Motors, manufacturing during the wars (sometimes)



Types of Economic Systems
