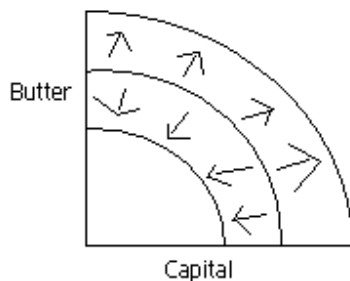


Day Five

- The Basic Dilemma
 - Limited Amount/Quality of resources in all societies
 - Members of society always want more
 - Choice
- Butter & Guns has a concave curve due to adaptability (or rather lack thereof) of resources
- Production Possibility
 - What could be produced
- Production
 - What *is* produced



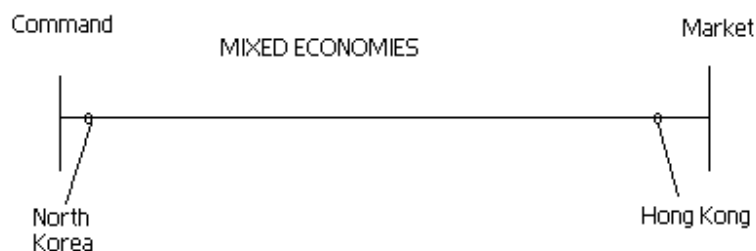
Capacity can go up or down

- Capacity would increase
 - Resources
 - Capital
 - Technology
 - Education
- Some poorer countries cannot sacrifice butter (basic needs) for education and capital, thus remaining poor
- How does society determine what will be produced?
 - What?
 - How?
 - For whom?
- Fundamental to answering questions
 - Who controls the resources?
 - How will economic activity be organized?
 - Traditional – Who will get it? Who always does.
 - Command – Centralization (resources & economic activity by government)
 - Market – Economy in which society encourages and allows markets to exist (resources privately owned)

- Buyers and sellers come together for the purpose of trade
- Mutually beneficial (if not coerced or deceived or insane)
- Question of what is determined in a market system by the consumers
 - Whatever consumers want and can pay for and businesses can produce, will be produced.

Day Six

- Every society with the basic dilemma must address what they produce, how they produce it and for whom.
 - Command vs Market
- Market – People mutually benefit
- Consumer sovereignty determined “what” in a market economy; business decides how
 - Criteria: Efficiency
 - Provide people what they want in the least costly manner
- For whom is determined by price
- Price is determined by supply and demand
- Market forces determined price
- Market is very efficient, but it is indifferent
- We are BOTH a market and command economy
 - In pure market would be anarchy
 - Eminent Domain
 - Taxation
 - Property laws

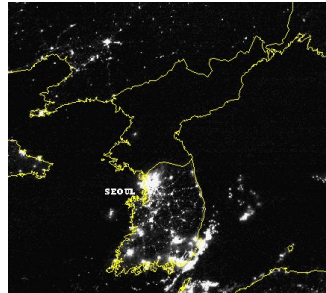


- The more market you are
 - Freedom; efficiency; growth
 - Price and consumer desire dictate the economy
 - Economic freedom
 - Biggest problem with the market is equity (fairness)
 - Market gives efficiency; Government gives fairness
 - Another problem with the market is public goods

- Things businesses can't provide because they won't make a profit, yet people want them
- Government provides public goods (IE police, military)

Day Seven

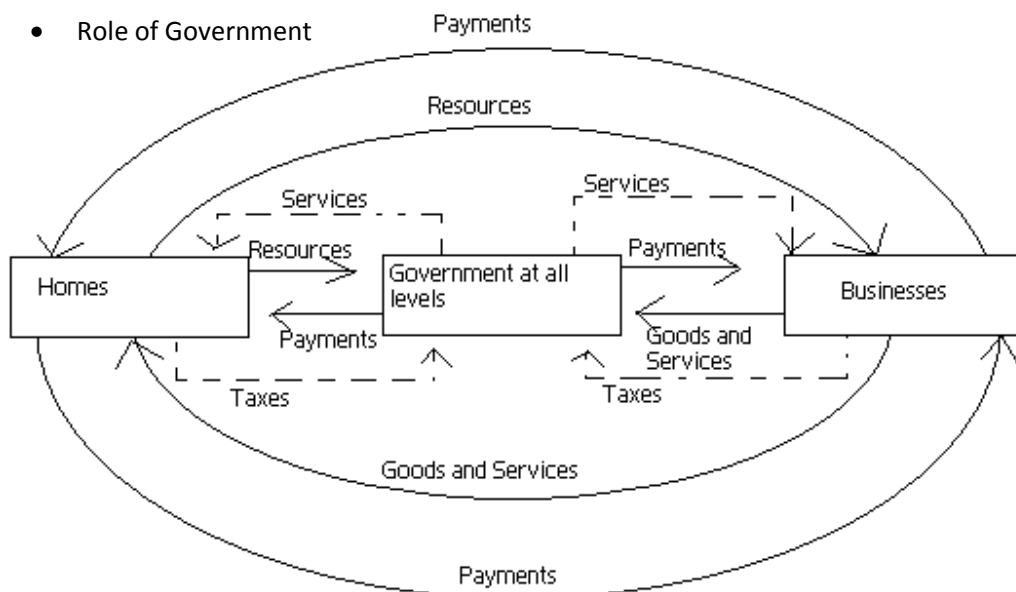
- The alternative methods of addressing the fundamental question
- With traditional out of the way, 2 methods remain
 - Market (SK)
 - Government (NK)



- Two limitations to market; Equity and Security
- Market will not give security, equity or public goods
 - Externality is also a problem
 - Pollution
- Command is more secure and equal, but less freedom, efficiency and growth
 - Government has less incentive
- Conservatives tend to prefer market, liberals command
- No matter what, there is a gain, and there is a loss

Day Eight

- Role of Government



- Resources
 - Land – Rent
 - Labor – Wages
 - Capital – Interest
 - Entrepreneurial Talent – Profits
- A dollar Spent is a dollar earned
- Dollar can be spent, saved, or paid in taxes
- Dividends – Profits that go to the entrepreneur