

Week 3
Defining Economic Wellbeing

ECONOMICS IS...

the study of how people solve production and allocation problems

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the study of how people solve **production** and allocation problems

production – how do we make what we want with what we have?

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the study of how people solve **production** and **allocation** problems

production – how do we make what we want with what we have?

allocation – how do we distribute what we have and what we made?

AN ECONOMY IS...

how a particular community of people solve
their production and allocation problems

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multiple economies can exist at the same time in the same place

governmental systems are not economies

CAPITALISM IS...

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private property – ownership
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that enforce **ownership**

ownership – the right to
decide how something is
used and by whom

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an economic system with **private property**,
markets, and firms

private property – ownership
of things and the institutions
that enforce ownership

markets – a way to
transfer ownership

that is:

- reciprocated
- voluntary
- competitive

CAPITALISM IS...

an economic system with **private property**,
markets, and **firms**

private property – ownership
of things and the institutions
that enforce ownership

firms– organization of production
with privately owned capital
goods completed by wage
laborers for the purpose of
making a profit

markets – a way to
transfer ownership

that is:

- reciprocated
- voluntary
- competitive

ECONOMIC GROWTH...

is the accumulation of whatever a particular economy counts as wealth

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only occurs when we make more than what it takes to make what we made

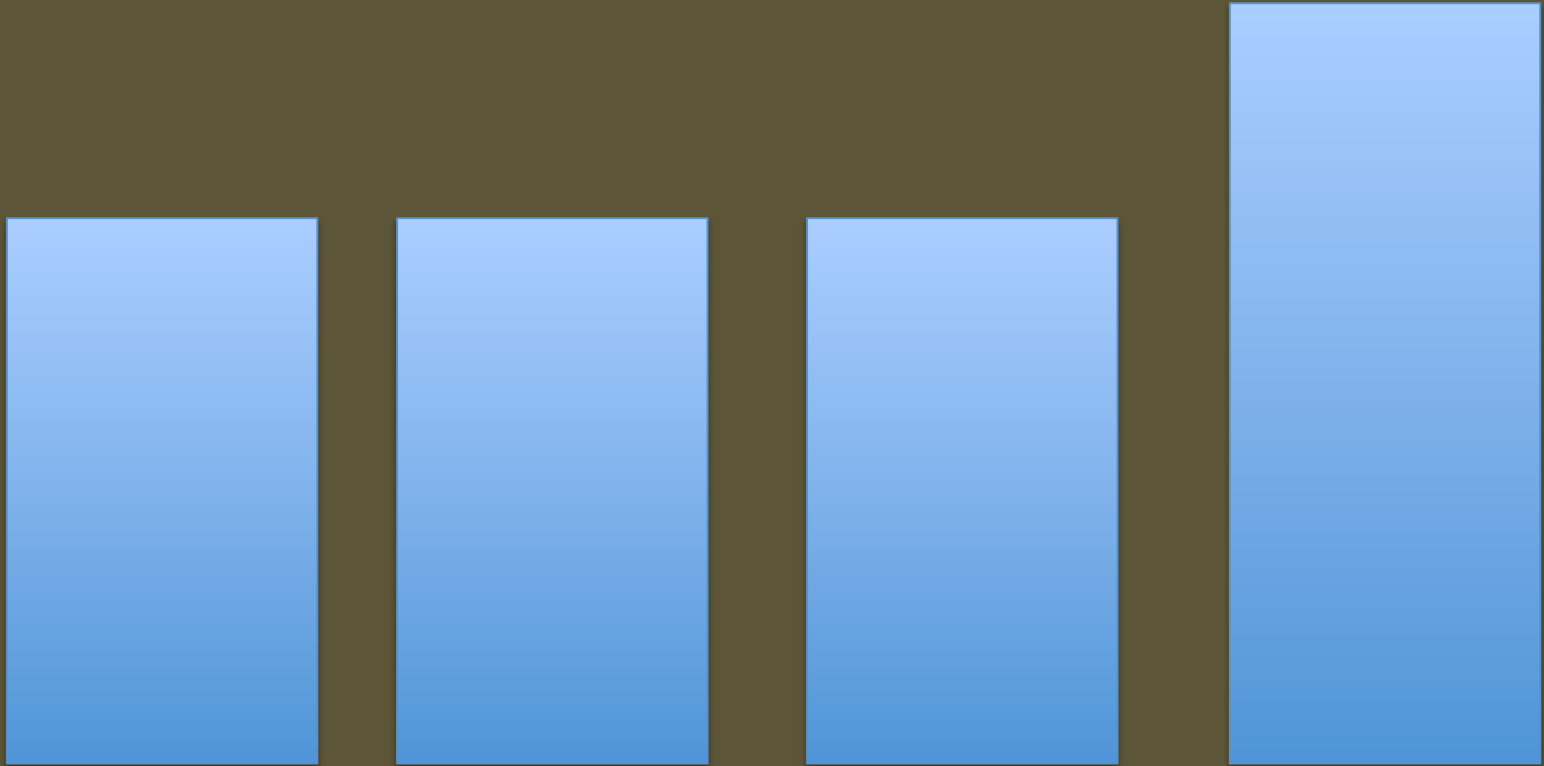
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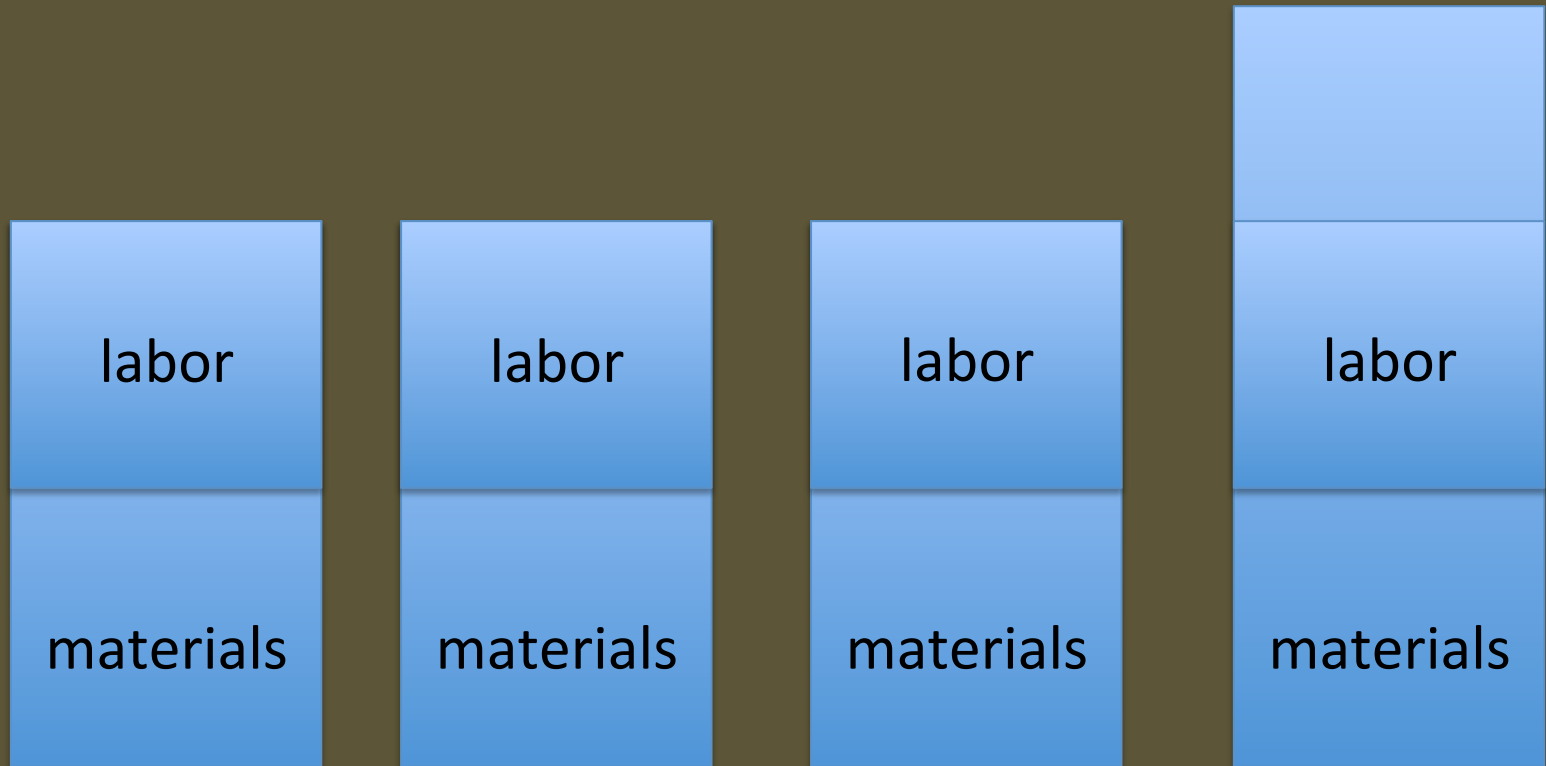
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(huh?)

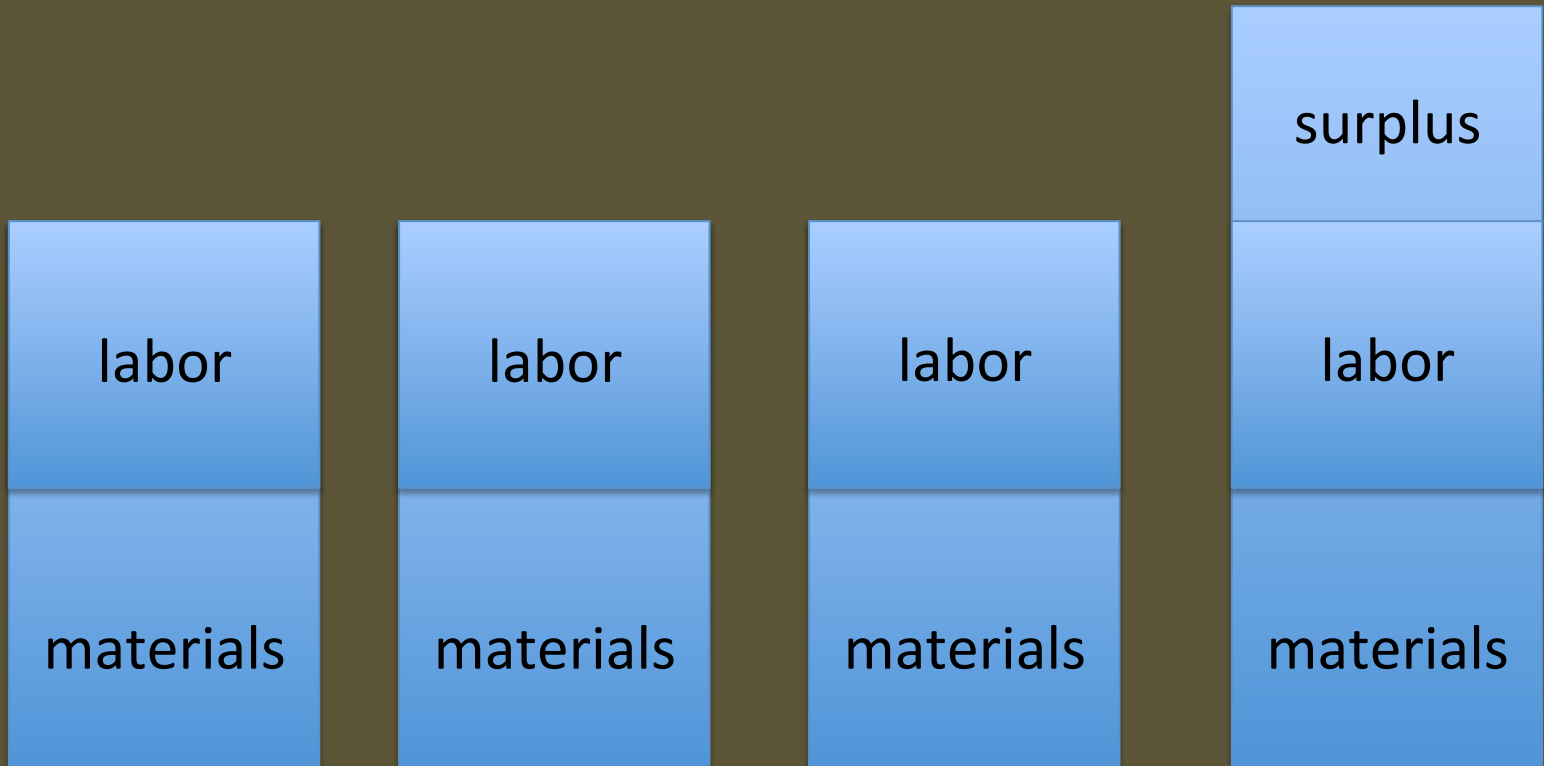
ECONOMIC GROWTH...



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ECONOMIC GROWTH...

How do we get surplus?

ECONOMIC GROWTH...

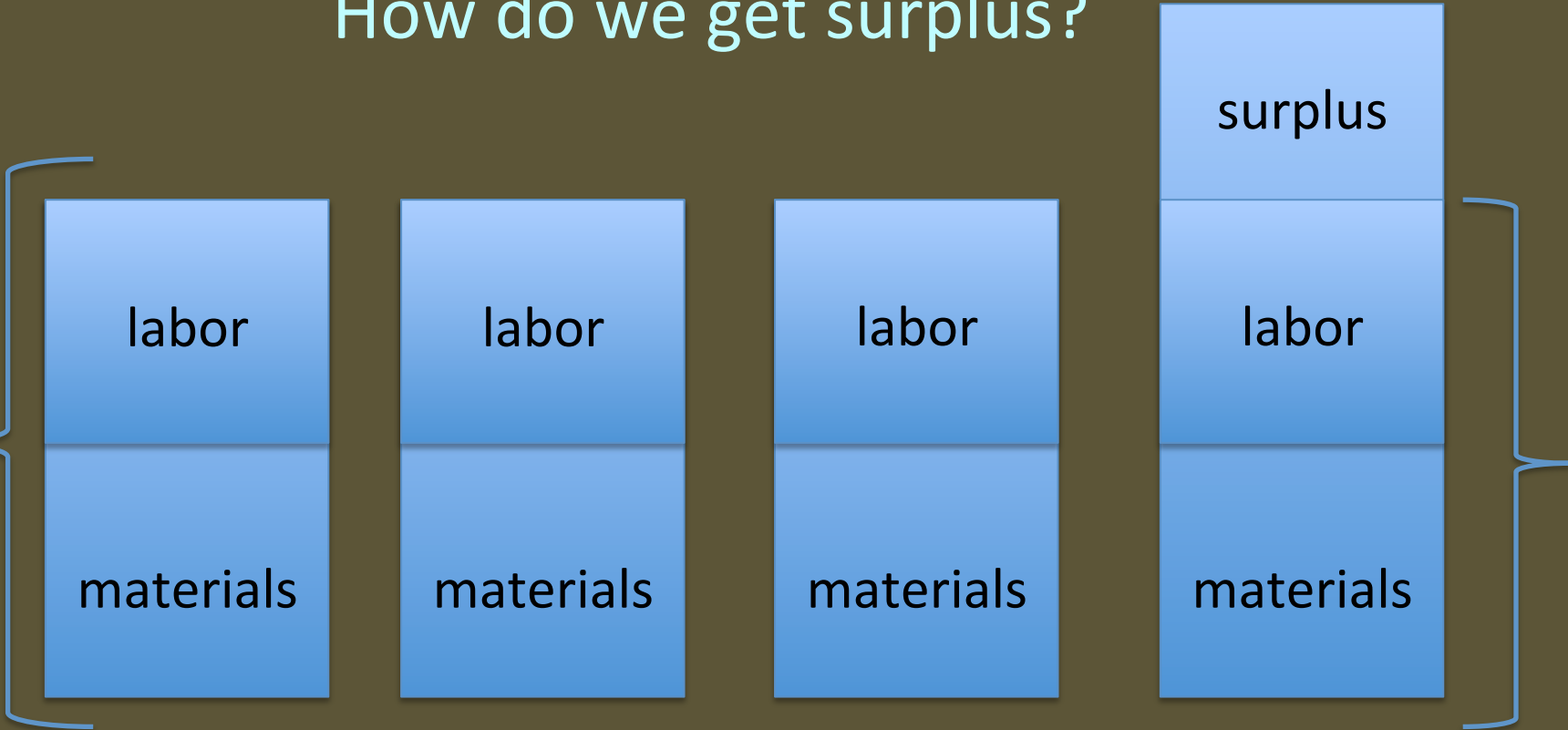
How do we get surplus?

- Work super hard (protestant work ethic)
- Good weather
- Bigger market (advertising or imperialism)
- Steal (appropriation or “primitive accumulation”)
- Take it from the necessary product

ECONOMIC GROWTH...

How do we get surplus?

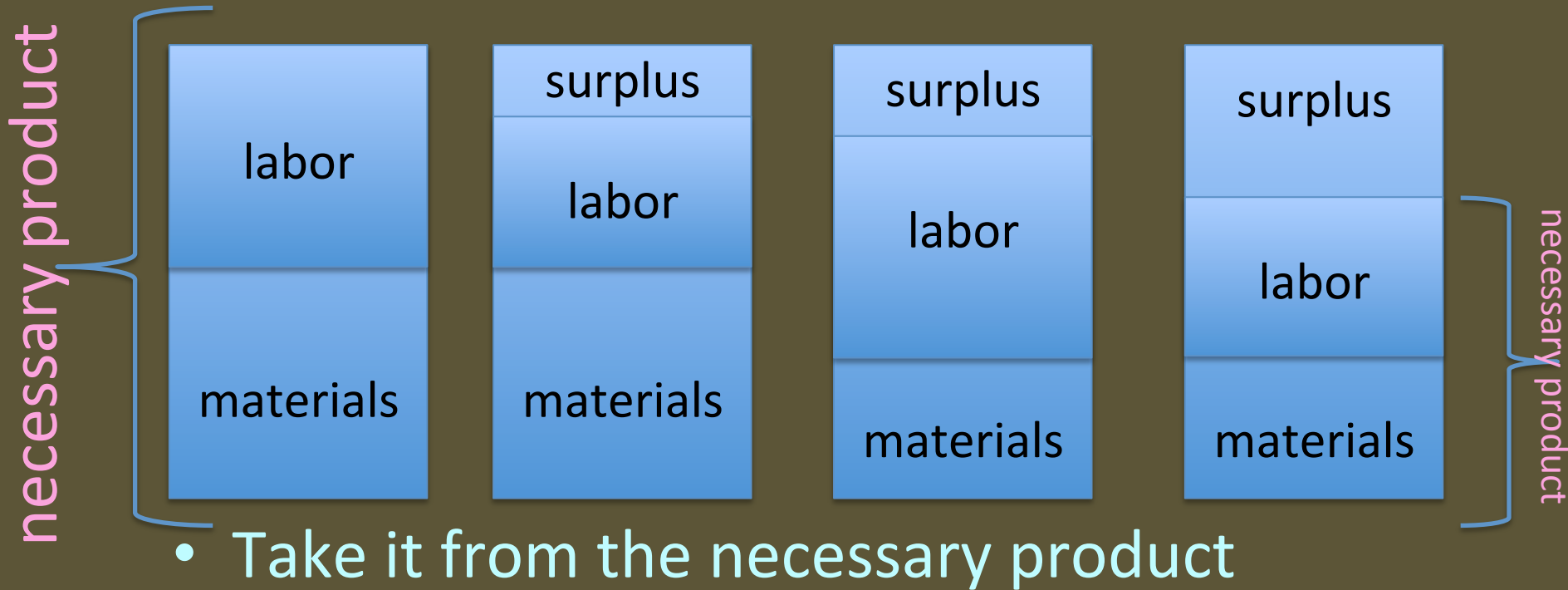
necessary product



- Take it from the necessary product

ECONOMIC GROWTH...

How do we get surplus?



ECONOMIC GROWTH...

On the aggregate, what does that mean for the US economy?

- What does GDP tell us about an economy?
- What does GDP not tell us?
- In general, is it better to have GDP go up, down, or stay the same? Why?
- Come up with an example of GDP going up because of a good change.
- Come up with an example of GDP going down because of a good change.