

Copy the black text only, Write only one red answer for 2

Bell Ringer 1 of 44

1. If you were given \$100 by your parents today, describe 3 different things you could do with that money?
2. Write down which quote about money below that you most agree with and explain why you chose it.

a) **"Money talks."**

-Euripides in the fifth century B.C.E.

b) **"Money makes the world go 'round.'"**

-Line from the song Money, Money  
-from the musical Cabaret. 1966

c) **"Money is the root of all evil."**

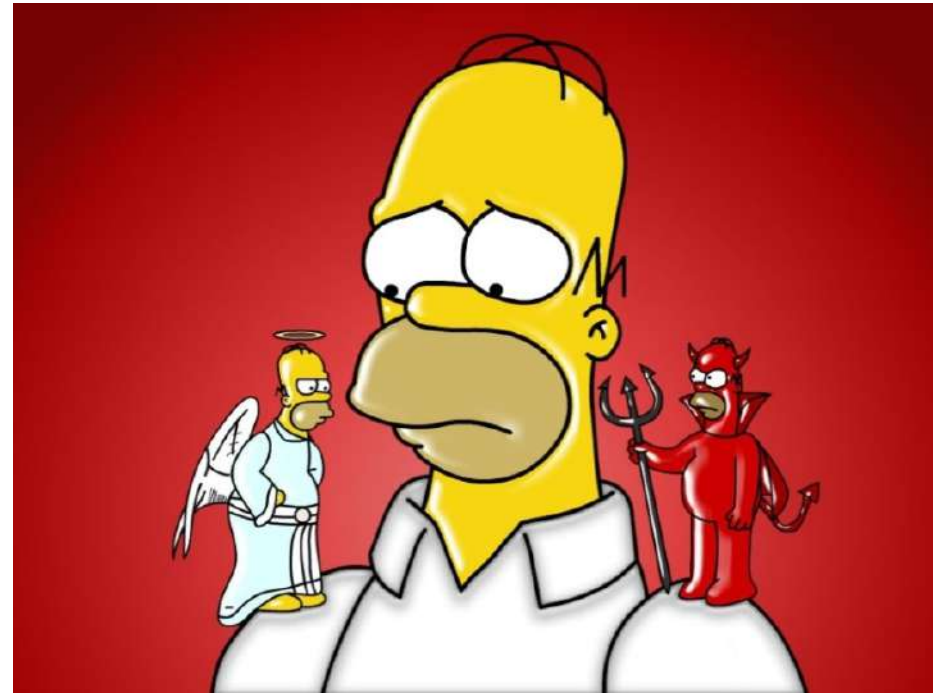
-First Epistle to Timothy in the New Testament

d) **"Money cant buy me love."**

-The Beatles, 1964



- 1. What is the basic problem faced by all people, businesses, animals and societies on Earth? (407)**
- 2. Because of the limitations we face, we must make choices between alternatives. Choosing between these alternatives is called making a...(410)**



**1. Trade-offs are alternative choices you face when making a decision. What are the trade-offs in the two pictures?**



**2. Opportunity cost is the price you pay when choosing a trade-off. What is a possible opportunity cost of each trade-off pictured?**





## Adam Smith



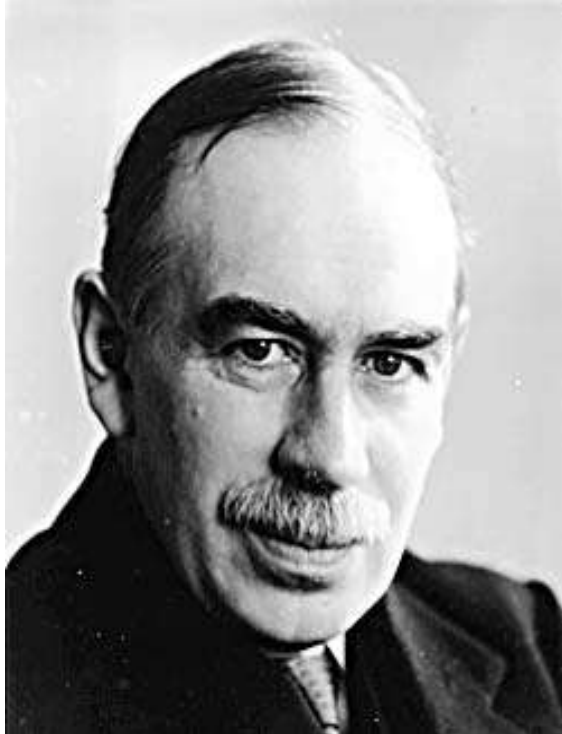
Adam Smith (1723—1790) was a Scottish economist and philosopher who wrote what is considered the "bible of capitalism, *The Wealth of Nations*. He is considered the father of Capitalism.

When he published his book in 1776, the economics of the time was dominated by the idea that a country's wealth was best measured by its store of gold and silver. Smith proposed that a nation's wealth should be judged by the total of its production and commerce.

He also explored theories of the division of labor, an idea dating back to Plato. He argued that if governments practiced "*laissez-fair*" economics (leaving people alone), then self-interested individuals would be led by an "invisible hand," which would achieve the greatest good for all.



## John Maynard Keynes



John Maynard Keynes (1883 –1946) was a British economist whose ideas fundamentally affected the theory and practice of modern macroeconomics. He believed that decisions in the free market sometimes lead to inefficient macroeconomic outcomes like recession, inflation, unemployment and poverty.

He argued that the government must step up and save the day. This requires action by central banks such as increasing the money supply through monetary policy actions or more spending through fiscal policy.

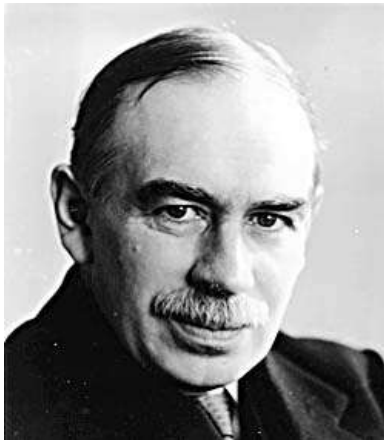
In other words, if the people and businesses don't have money, the government must start to spend money in order to crank up the economy with a shot of cash. For Keynes, consumer confidence was of key importance and people acted on emotions which he called the "animal spirits".





**The General Theory of Employment, Interest and Money by John Maynard Keynes**

**The Wealth of Nations by Adam Smith**



**PDF Pages 67-68, 74-76  
5 pages total**

**Due Monday, March 26th**



is the study of how we make decisions in a world where the fundamental problem is scarcity of resources.



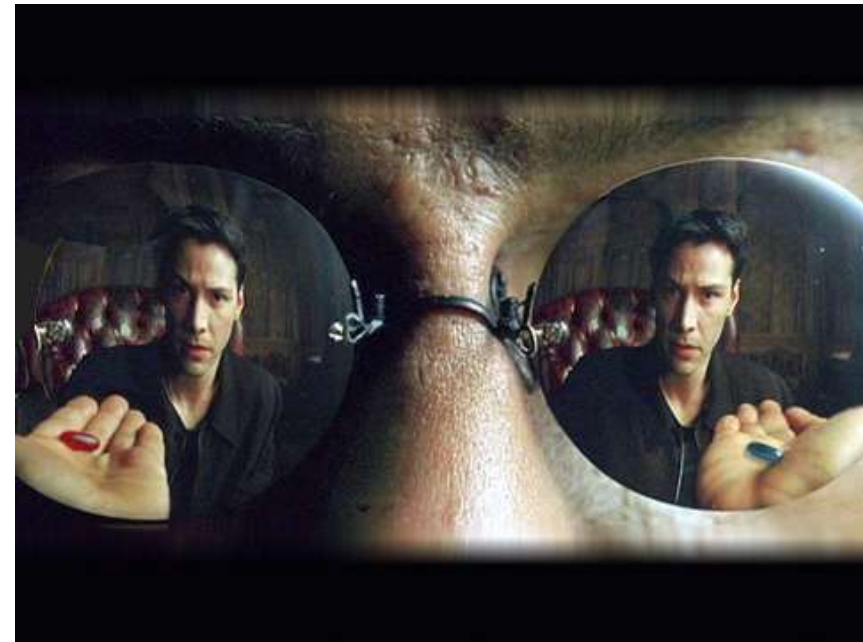


is the branch of economics that studies the behavior of small units in an economy, such as the pricing policy of a business or household decisions on what to buy.





It is the problem of scarcity, such as limited time or money, that forces us to make \_\_\_\_\_ among alternatives.



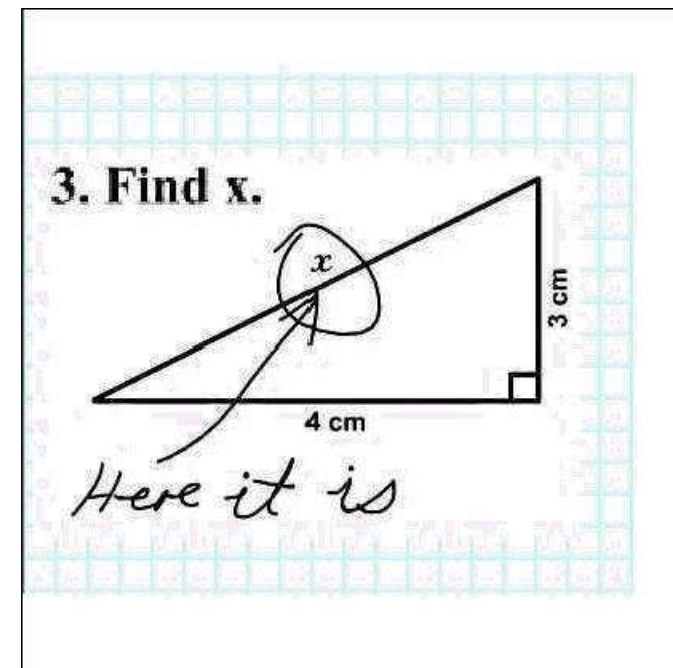
The alternatives we all face in life, when we have to decide to do one thing or another are called

\_\_\_\_\_.



The value of what you give up when you have made a choice between trade-offs is called the

\_\_\_\_\_.





\_\_\_\_\_ are required for survival and include things such as food, water, transportation, shelter and clothing.



\_\_\_\_\_ are things that we wish for, crave or desire for entertainment, comfort or out of basic greed or envy of others.



# How is your phone made?

- What are some raw materials that go into your phone?
  - (what is it made of?)
- Who are the actual people that build your phone?
  - (what do the workers do?)
- What machines are used to create your phone?
  - (how do they build the parts?)
- Who controls the company, workers, machines, materials, money, buildings, and processes?
  - (Who is in charge?)





1. What are the three basic questions that all businesses must answer? (407-408)

2. McDonalds produces products by using the four factors of production. Give an example of Land, Labor and Capital at McDonalds.

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# The factors of production

Land



Capital



Entrepreneurship



Labor





# Natural Resources (Land)

- All the resources that come from nature.
- Productive resources
- commodities
- Gifts of the Earth
- (water, oil, crops, animals)
- Used to produce the products you need and want.





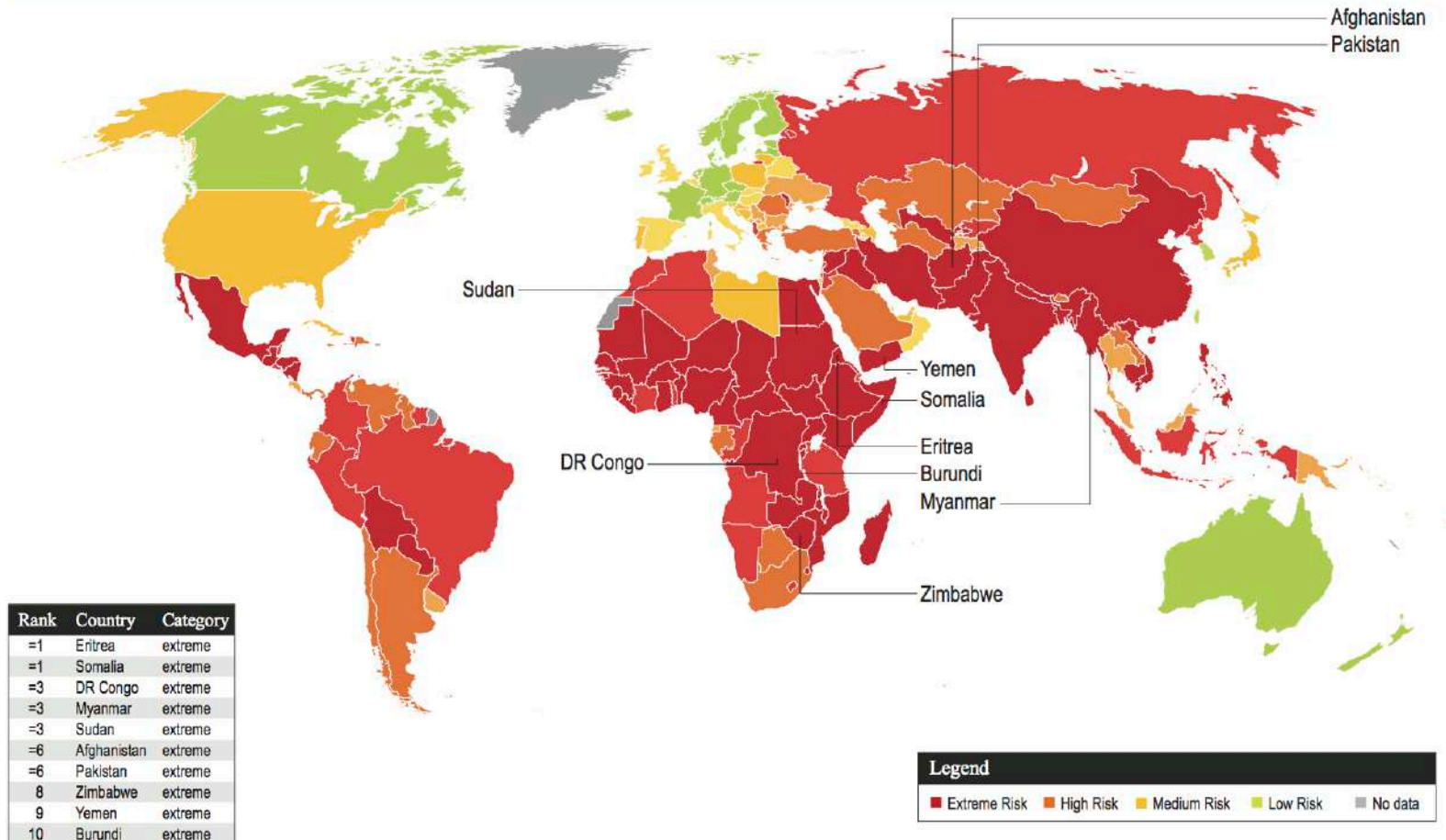
# Labor (human capital)

- A country's human resources and their skills, education, motivation.
- Labor requires workers in order to produce goods and services.
- Technology is quickly eliminating many traditional labor jobs.
- Some nations still use a great deal of child labor



# Child Labor around the World

Child Labour Index 2014

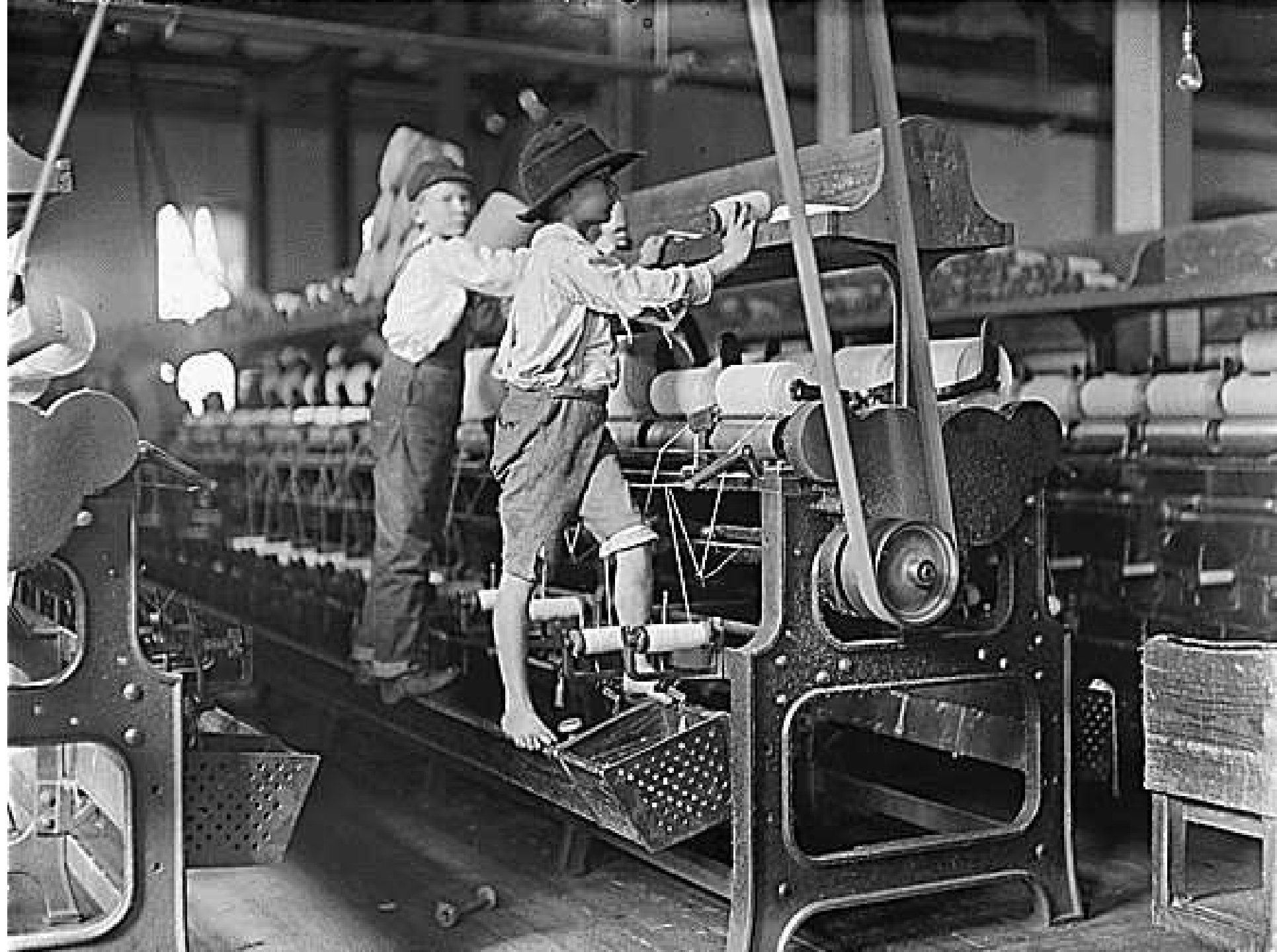








Child Labor in the U.S. 100 years ago?



















eBay seller history-image will not appear on item







Child Soldiers?













GRAPHICITY IMAGES





























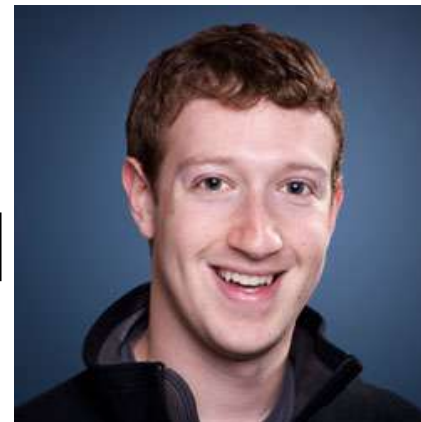
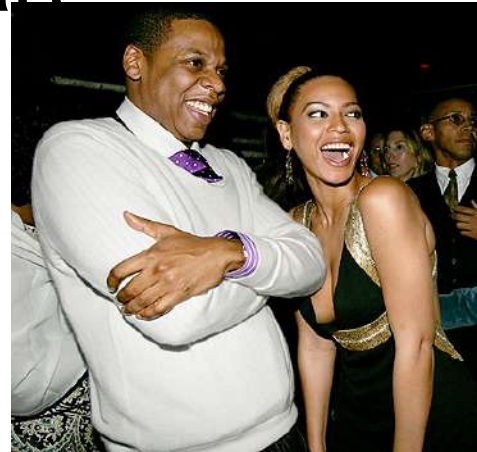
# Capital

- The tools, machinery, and buildings used to make products.
- Capital goods aid the production of consumer goods.
- Capital goods are purchased with financial capital (\$\$\$)



# Entrepreneurship

- The individuals who start new businesses and innovates new ideas
- Risk takers
- Driving force of the economy
- Have the guts to try and believe in themselves.





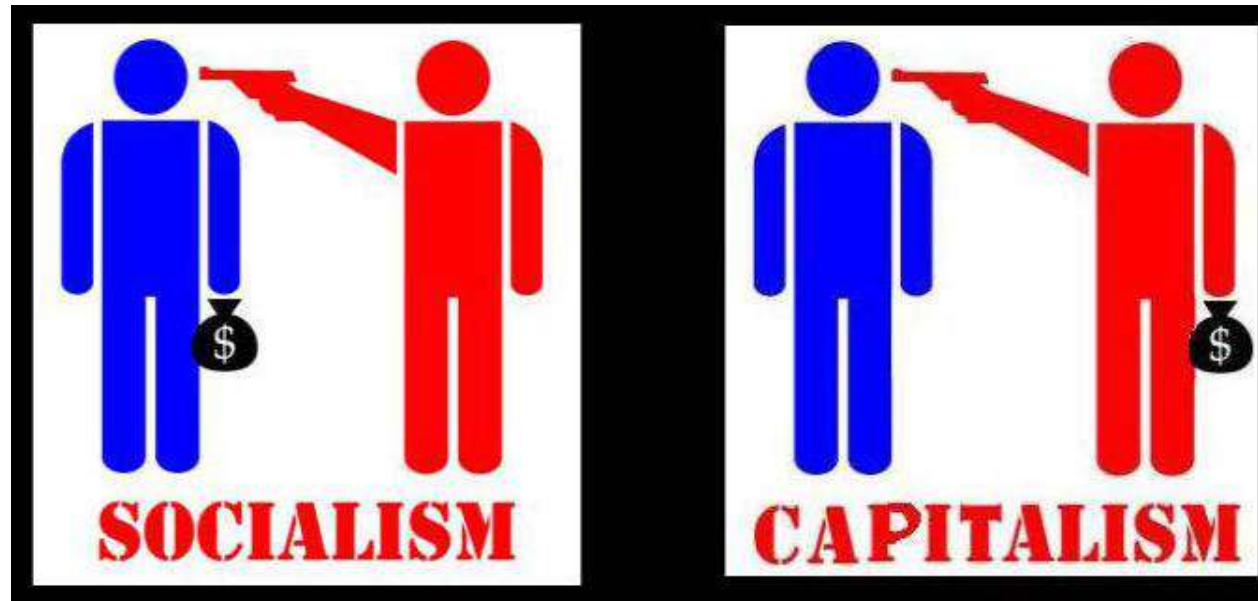
1. Specialization will be key to your team's success in our market simulation. What is specialization? (431)
2. Your team will have to implement a division of labor in order to be competitive. What is a division of labor? (431)





## Bell Ringer 6 of 44

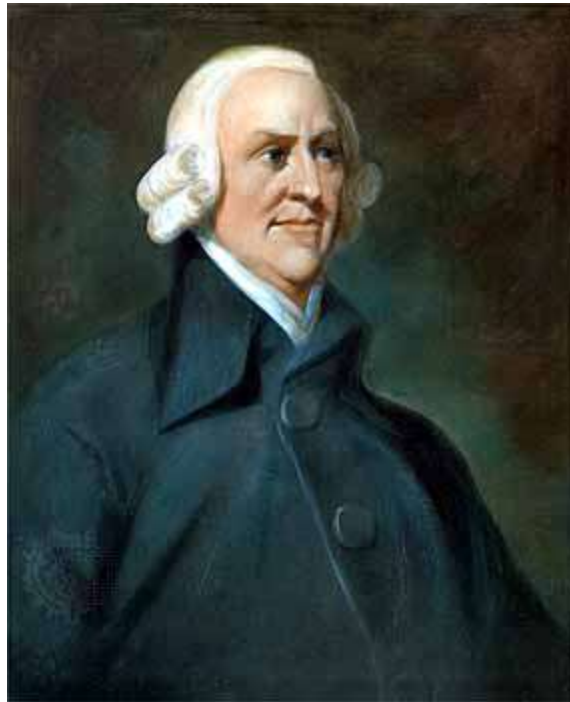
1. Who owns almost all of the factors of production in a capitalist or “free market” economic system (417)
2. Who owns almost all of the factors of production in a communist or “command/socialist” economic system? (574)



# Adam Smith

Father of Capitalism

*The Wealth of Nations, 1776*



Laissez-Faire  
“let it be”

The Invisible  
Hand:  
“all resources  
guided to their  
best use”



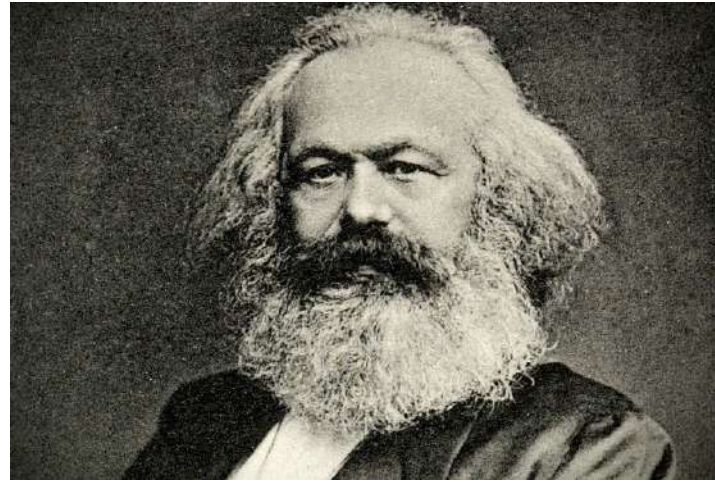
# Karl Marx

Father of Communism

*The Communist Manifesto, 1848 and Das Kapital, 1867*

## Bourgeoisie

“wealthy,  
elite,  
capitalist,  
business  
owners”



## Proletariat

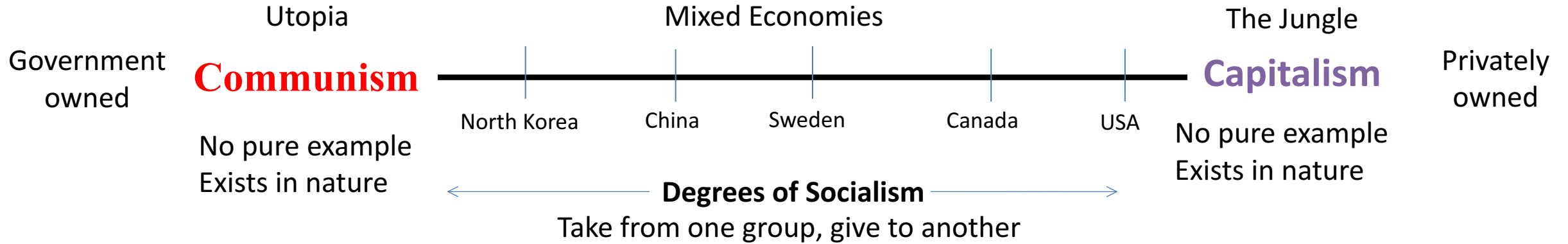
poor workers

Poor will rise up  
against rich in  
Revolution



# Who owns the factors of production in a society?

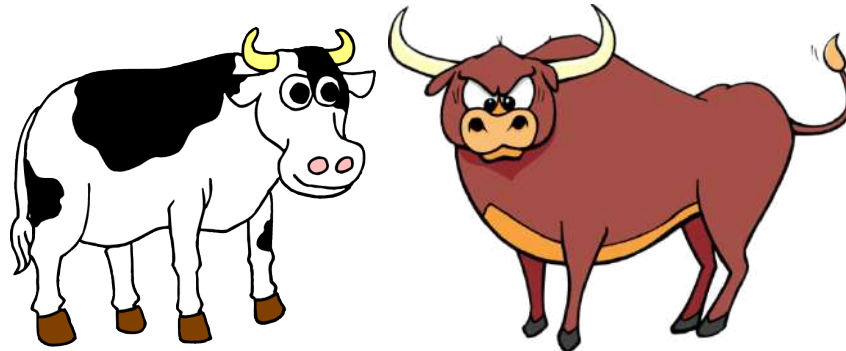
## Continuum of Economic Systems



- \*You have two cows
- \*The government takes your cows and gives you some milk

- \*You have two cows
- \*The government takes one of your cows and gives it to a person with no cows

- \*You have two cows.
- \*You sell one and buy a bull.
- \*Your herd multiplies
- \*You sell them and retire.

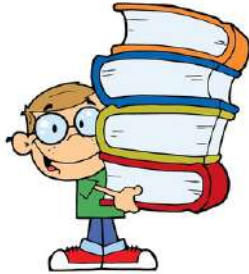




# Communism vs. Capitalism

## Class Grades

### Capitalism



95 A



80 C



65 F

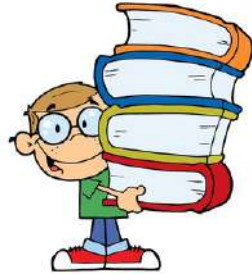


[phillipmartin.info](http://phillipmartin.info)

# Communism vs. Capitalism

## Class Grades

### Communism



95 A



80 C



65 F



$$240/3 = \underline{80}$$

# Communism vs. Capitalism

## Class Grades

### Communism



80 C



70 D



50 F

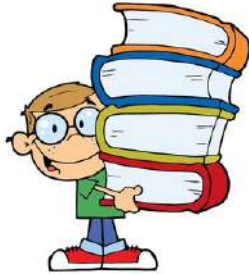


$$200/3 = \underline{67\text{ D}}$$

# Communism vs. Capitalism

## Class Grades

### Socialism



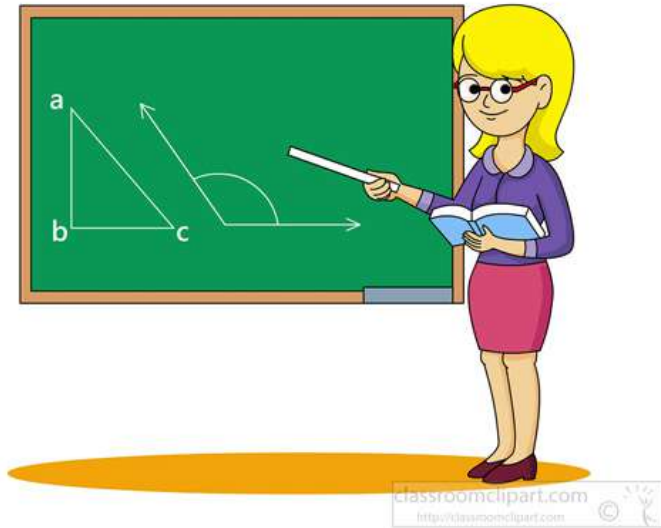
98 A -5=93



80 C -2=78



65 F +7=72



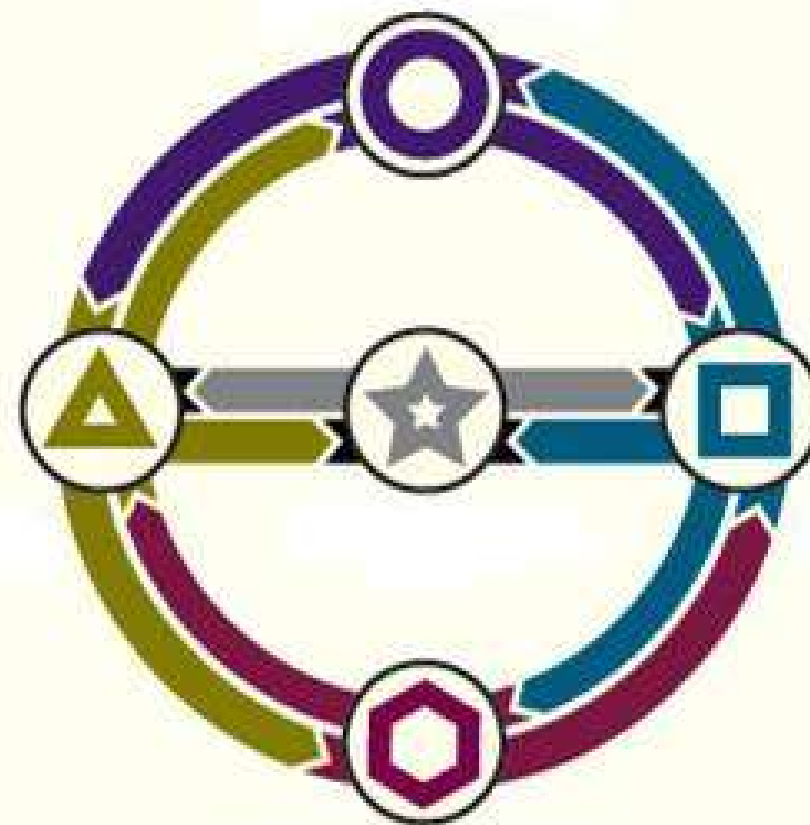
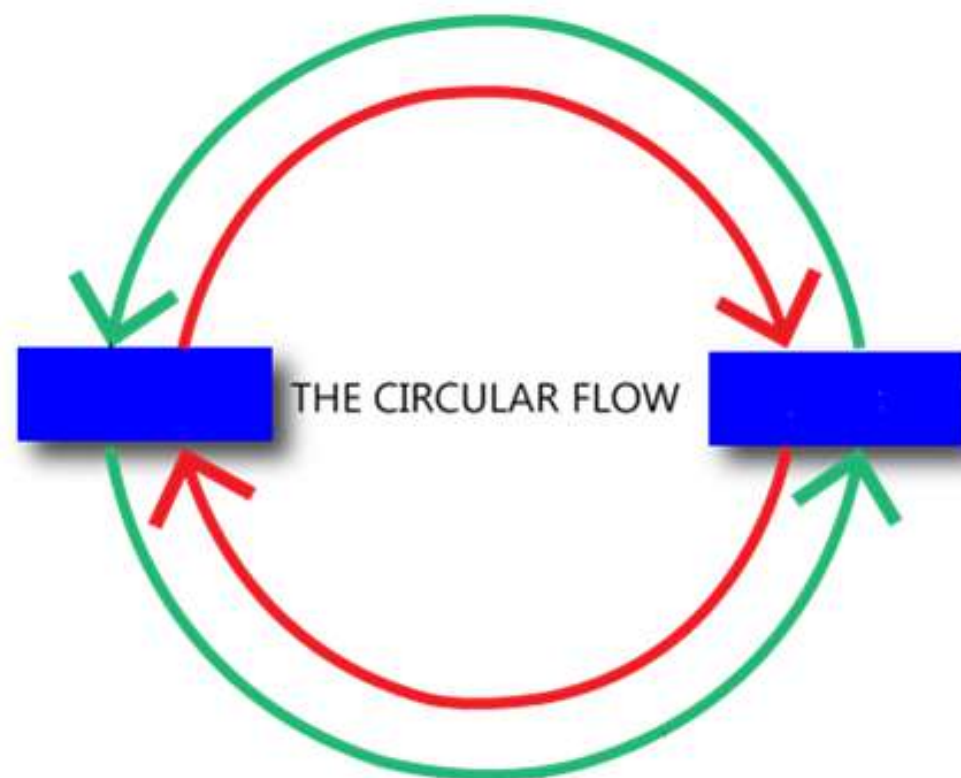


1. What do economists consider to be a “market”? (428)
2. Economic Circular flow is made up of sectors and flows, like a body is made up of organs and veins. List 4 different sectors within circular flow.  
(big, blue bold print on 428-430)

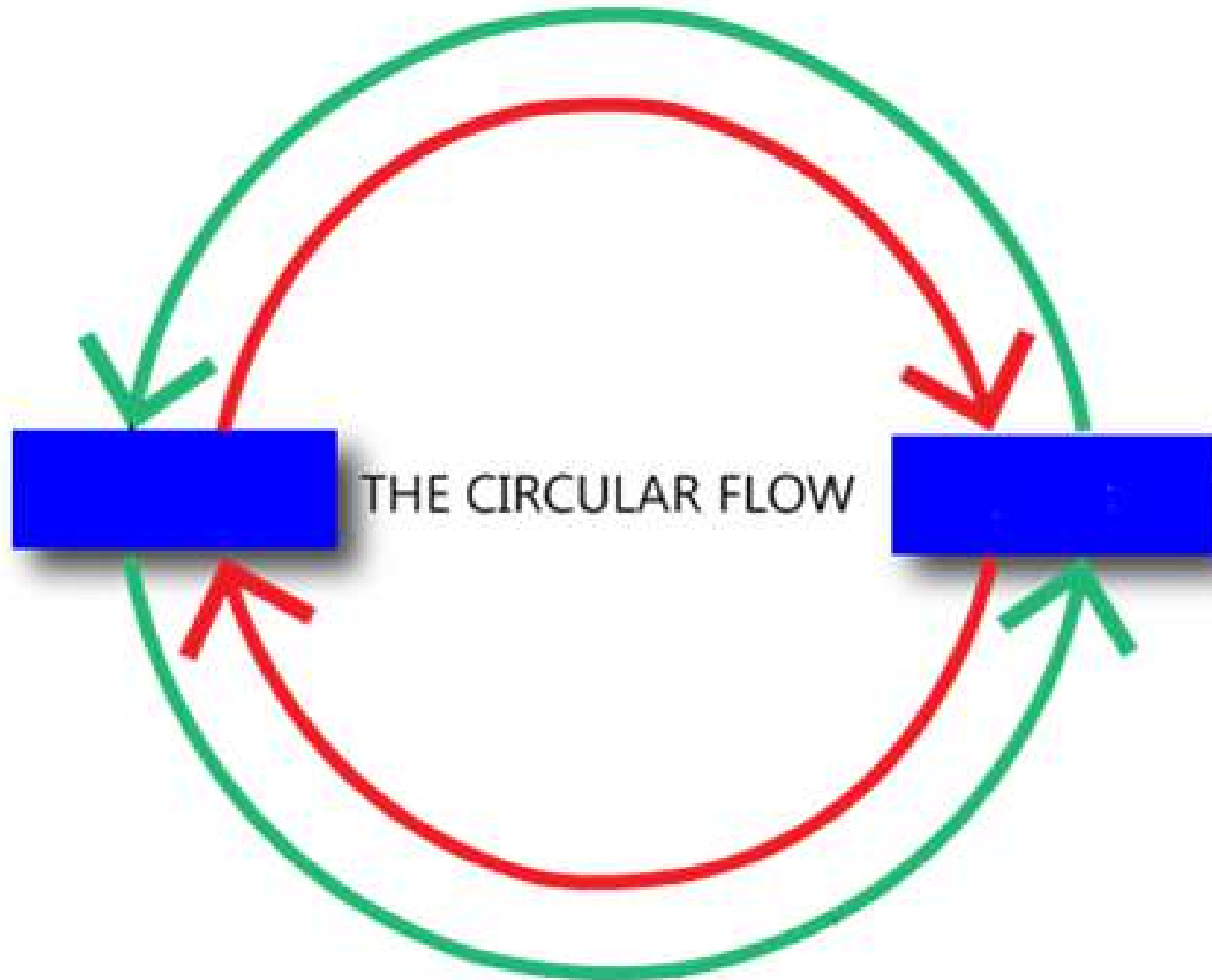


# Circular Flow Models

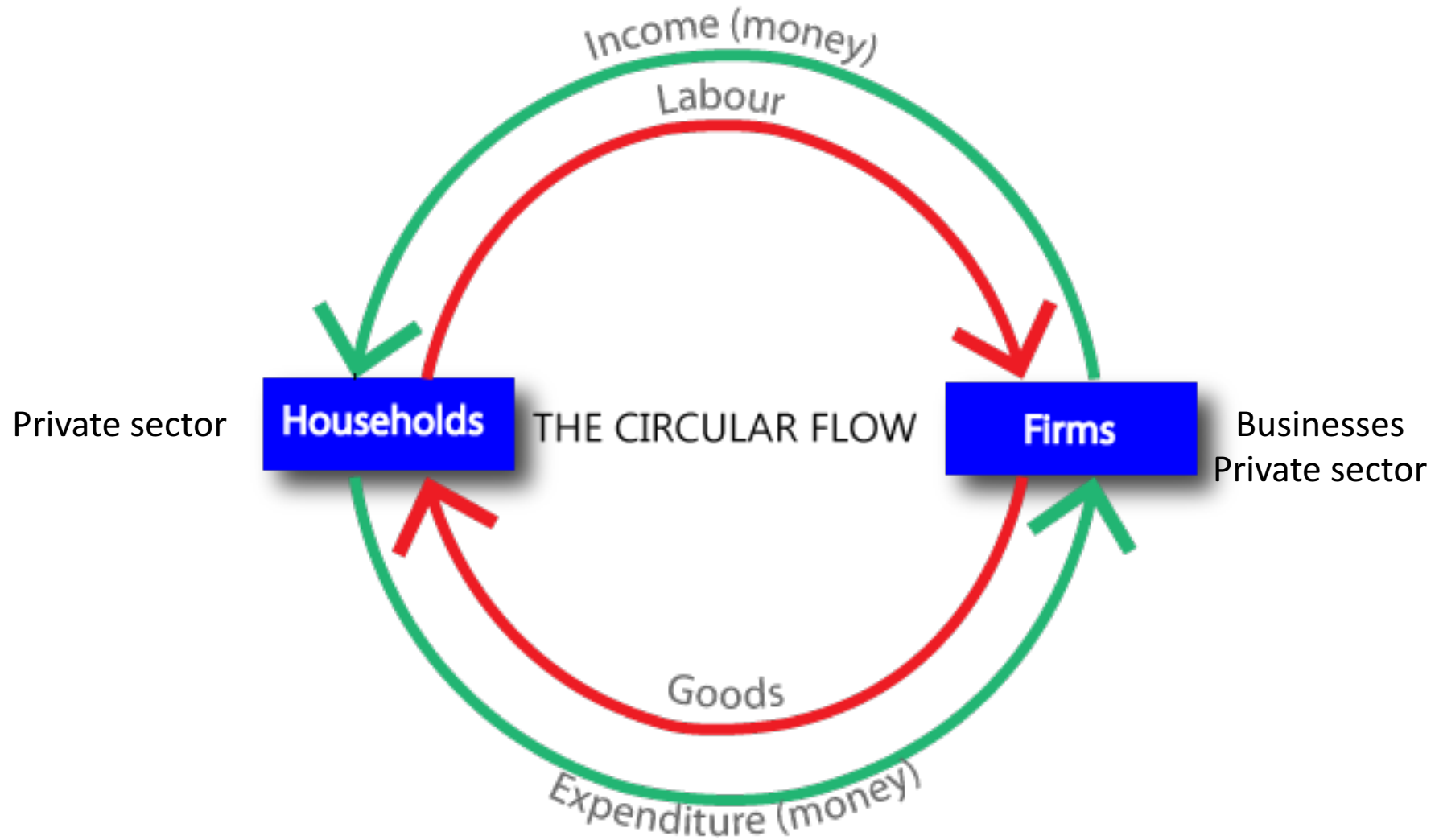


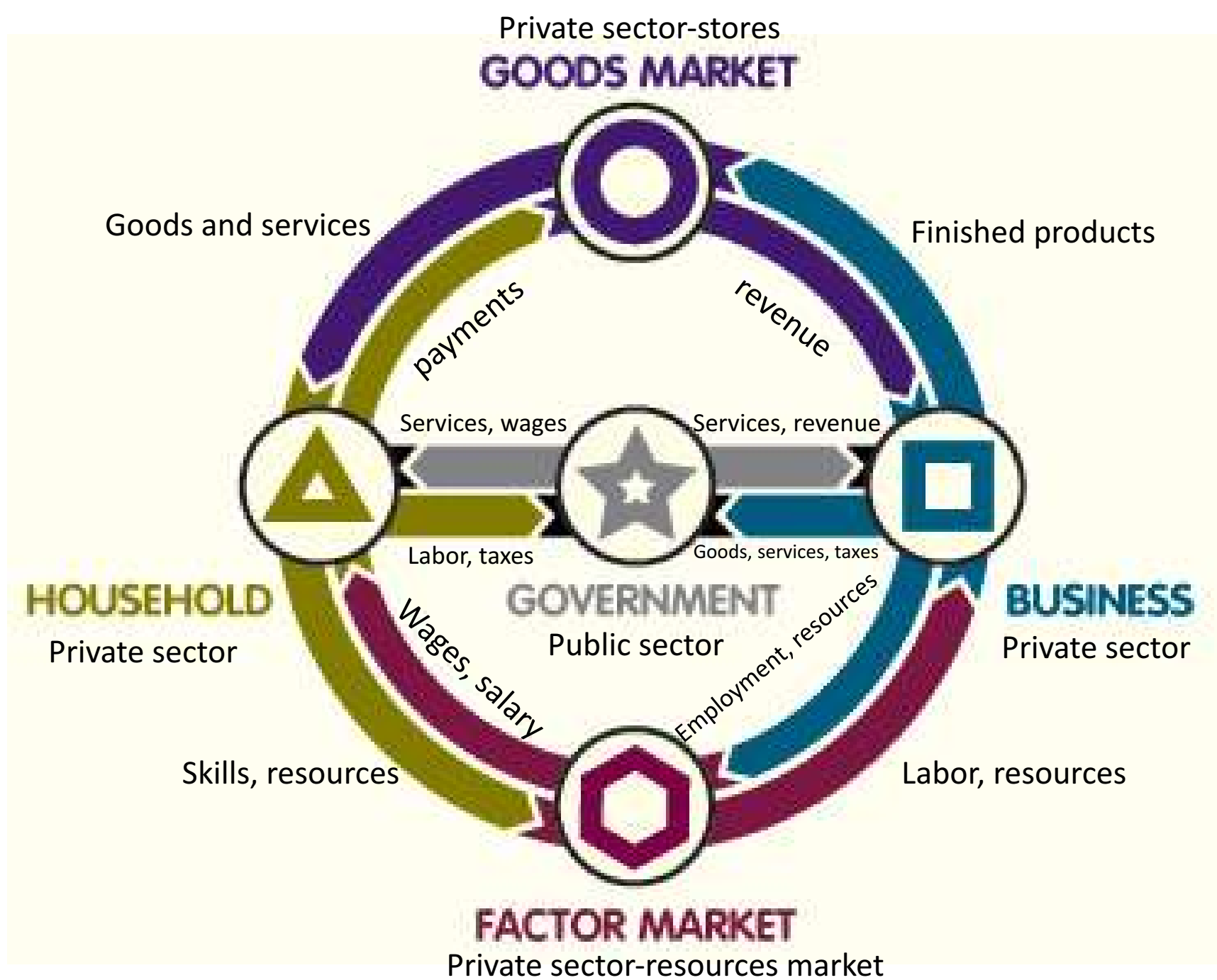


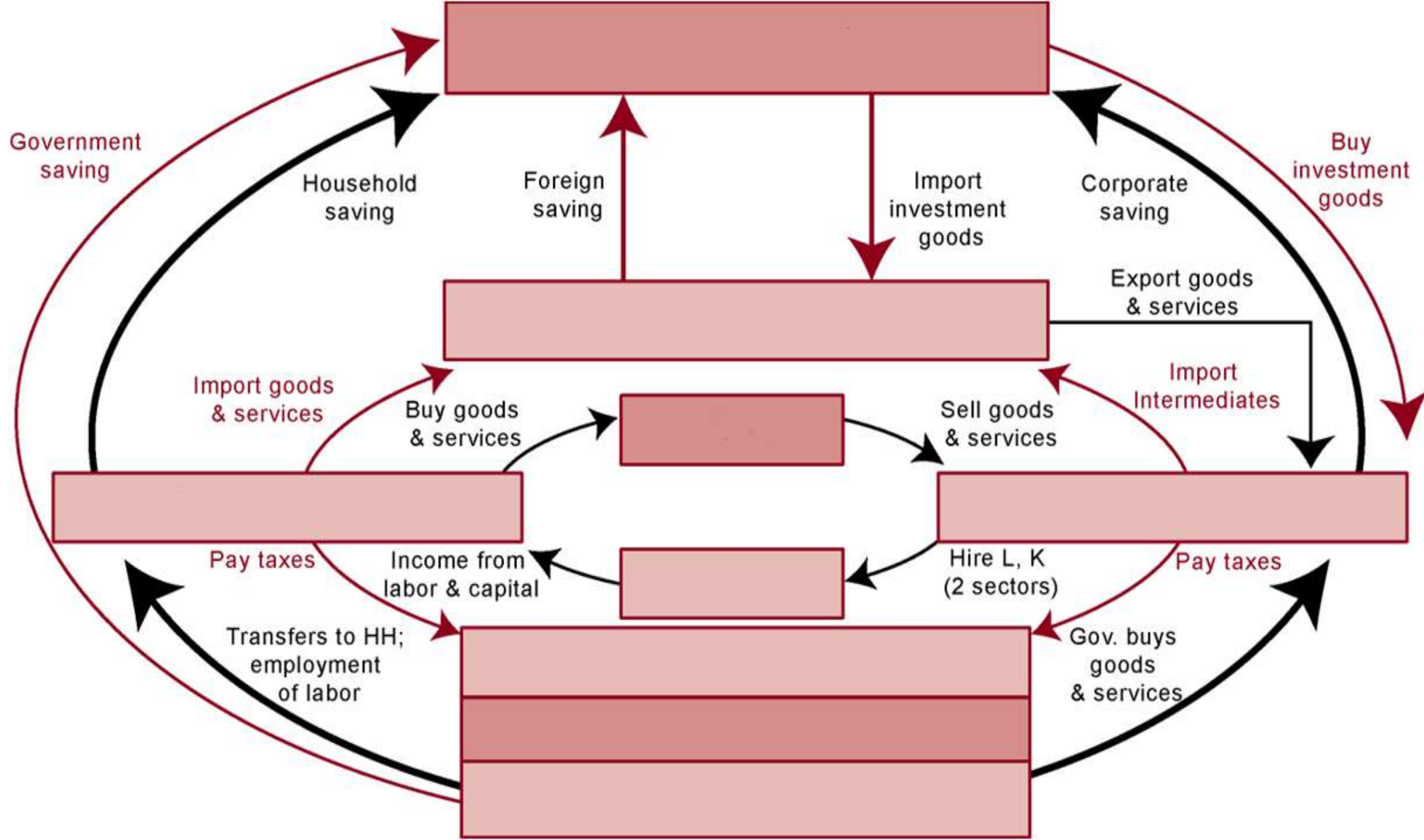
# Circular Flow Models

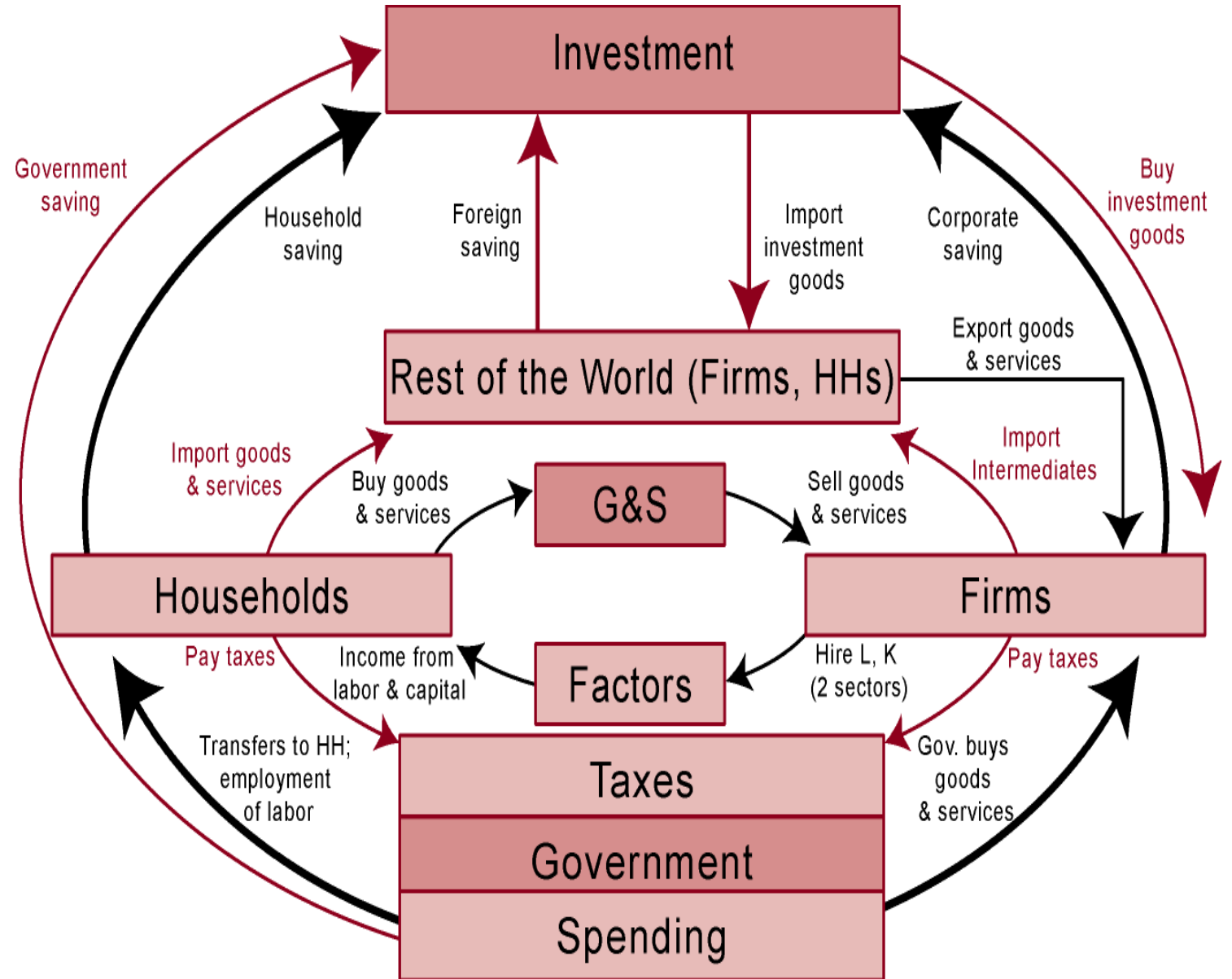
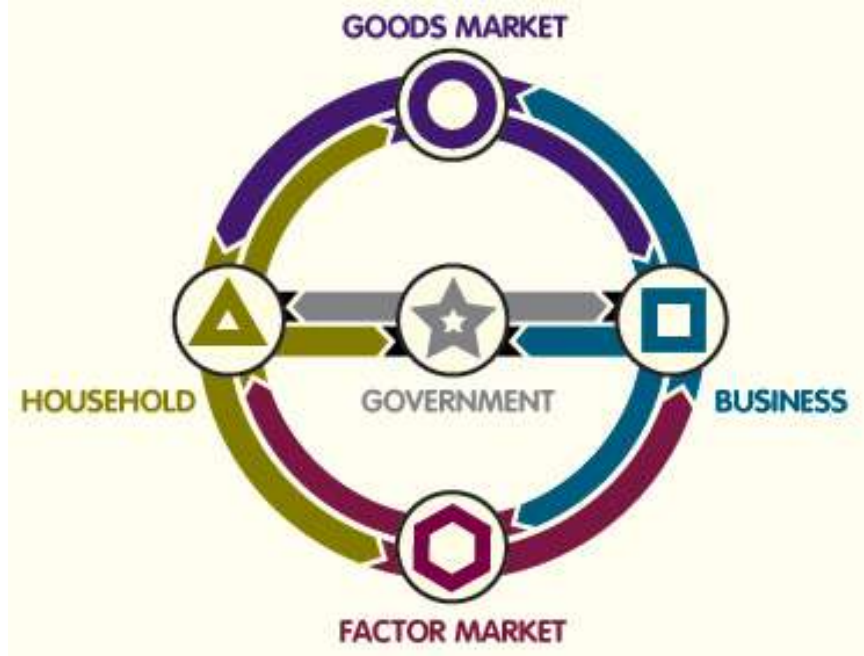














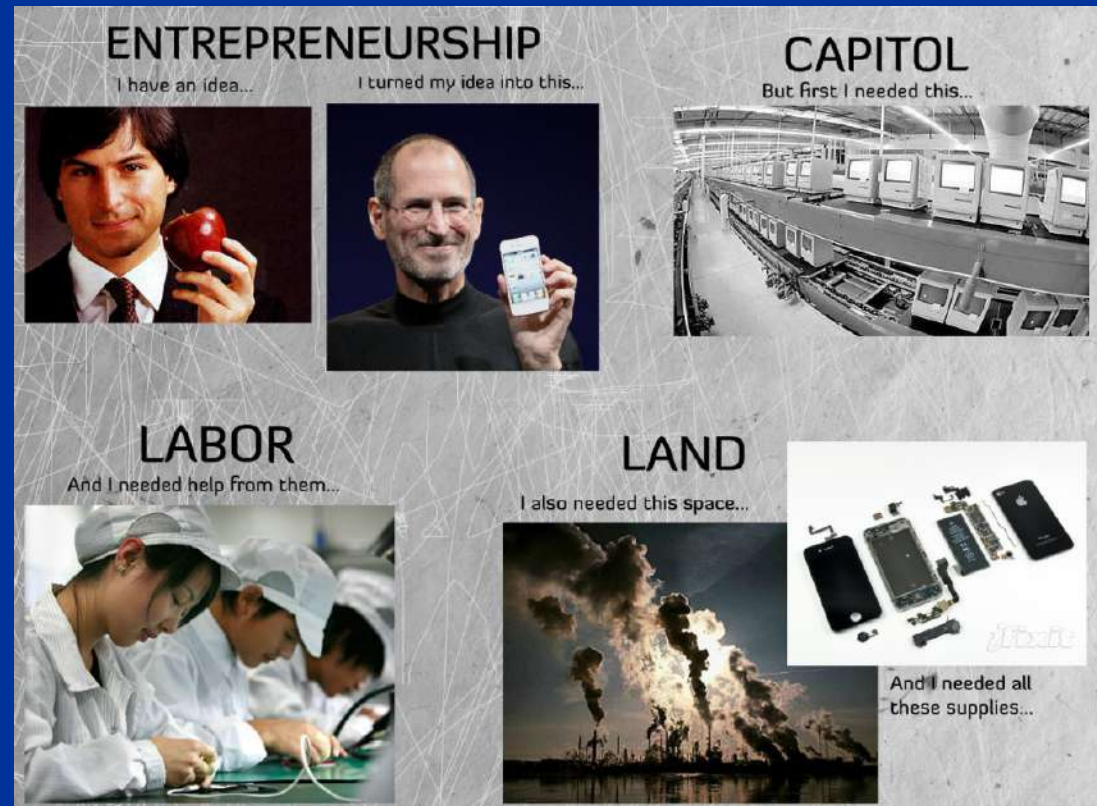
# Elements of the Capitalist Free Market Economy

- Free Enterprise (freedom from government)
- Market economy (voluntary exchanges, supply, demand, prices)
- Productivity
- Specialization
- Division of Labor
- Human Capital
- Economic Interdependence



# Capitalism

■ Private ownership of property and the factors of production



# Free Enterprise

- The right of businesses and individuals to conduct their activities with minimal government interference.



**Just say NO!**

**To more Government**

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# Market Economy

- A system where buyers and sellers freely meet to make voluntary exchanges based on supply, demand and prices.





# Productivity

- Efficiency is the measure of the amount of output produced by a given amount of input.
- Making more with less/efficiency.



# Specialization

- Specialization is when businesses, people, and countries concentrate on a particular set of goods and services.
- Specialization improves productivity.





# Division of Labor

- The breaking down of a job into separate, smaller tasks performed by different workers.
- Division of labor makes use of differences in skills and abilities.



# Human Capital

- The sum of the skills, abilities, training, and motivations of people.
- Improved through talent, higher pay, benefits, training, and inspiration.





# Economic Interdependence

- All parts of an economy are connected and dependent on each other to provide goods and services.



End