



Lesson 20
Different Economic Systems
(87 points)

New Key terms:

1. Centrally planned:
2. Free market:
3. Mixed market:
4. Consumer sovereignty:
5. Capitalism:
6. Socialism:
7. Public Goods:
8. Free Rider:
9. What is the invisible hand?

Review:

10. What is a market?
11. What is a free transaction?
12. What are institutions?

13. What is self-interest?

14. What are incentives?

15. What are the two types of incentives?

16. What is profit?

17. How is profit an incentive?



Class notes:

18. What is Capitalism?

19. What is Economic freedom?

20. How did the ATT commercial illustrate the advantages of economic freedom?

21. What is Laissez faire?

22. Why and how did the great Depression end Laissez Faire in the US?

23. Why are free transactions important?

24. What is private property?

25. What is socialism?

26. How can socialism/capitalism be described as a continuum?

27. What is the trend with regards to the economic system used by the US?

28. Why are some economists concerned about this reduction in economic freedom?

29. What are the three types of economic systems?

30. What are examples of each of these systems?

31. What are the three questions each economic system must answer?

32. How do the centrally planned economies answer these questions?

33. How do free market economic systems answer these questions?

34. How do mixed economic systems answer these question?

35. What is the other extreme to letting business “run wild”?

36. What is the importance of the invisible hand in the free/mixed market economic systems?

37. How does the free transaction help to tame the invisible hand?

38. What is the result of over regulation or complete central planning of the economy?

39. What is an example of how the new law banning plastic bags will undermine freedom, efficiency, and productivity?

40. How was the surplus in cabbage in China an illustration of the inefficiencies of central planning?

41. What was found in warehouses in Russia after the fall of the Soviet Union and why?
42. How was the roll out of Obamacare also an illustration of the inefficiencies of central planning?
43. Compare and contrast the cost of the Obamacare website with that of Amazon.com. Which was more expensive, which had greater utility?
44. What was the motivation of Amazon's website?
45. Why was this incentive lacking with the government's website and how did that contribute to the delays involved?
46. How does the Wendy's commercial illustrate the contrast between central planning and market based economic systems?



47. Why was the commercial effective given our economic system?

48. What are some examples of the choices provided by our market systems when buying a new house?



Btw: Know the origins of Macy's Red Star?

49. What are examples of the importance of property rights and their enforcement?

50. What has recently changed with regards to protecting private property rights?

51. How does private property rights relate to the principle of the free transaction?

52. How does the change in "seizure" rights impact the free transaction?



53. What subsequently happened to the properties in question?

54. Why is the free transaction so important?

55. Why are supporters of the free transaction opposed to Obamacare?



56. Why is entrepreneurship important?

57. When was the Magna Carta signed and how did it provide for the rule of law?

58. How has the rule of law been important throughout American history?

59. What is the connection between the Rule of Law, indentured servants and British colonization of North America?

60. How has adopting the Rule of Law improved China's investment climate?



61. What is the contradiction that some economics see between Obama and the Rule of Law?



62. What are some other examples of where the rule of law has been undermined?

- a. As it relates to GM?
- b. As it related to Obamacare?
- c. As it relates to no child left behind?
- d. Immigration Laws?
- e. Welfare laws?
- f. Criminal drug laws?
- g. DOMA?

63. What is the danger?

64. What laws may a future President choose not to enforce?

65. What are public goods?

66. What are examples of public goods?



67. What would be the problem with regards to free loaders if a private company built a lighthouse to protect its ships?

68. What is the problem of the free loader when it comes to public goods?



69. How do free loaders undermine a private market for a good or service?

70. Why is government the most efficient producer of public good?

71. Why are some examples of private businesses that have or are seeking to provide services generally considered “public goods”?



72. Why is education both a public and a private good/service?

73. What incentive do these businesses have and why is it important for them to address the issue of the "free-riders"?

74. How have these businesses have been able to have some success in "controlling" or "limiting" the benefits of their businesses?



75. How has the government sought to capitalize on opportunity cost in getting people to "pay" for public goods?

76. How is southbound highway 680 an example of this?

77. Why would any drivers be willing to pay to use a "public" highway that is otherwise "free"?

78. How is CA dealing with the issue of free-riders?

79. What is the nature of those who are “free-riding” on those who work?

80. As the economy had declined what has occurred to the number of people “freeloading”?

81. What do we know about incentives?

82. What do we know happens as the incentives are increased?

83. How has government created incentives to freeload?



84. What are government entitlements?

85. What are examples of government entitlements?

86. What has government done with regards to the incentives to freeloader?

87. Why has this increase created a political crisis in America?



Lesson 21
Markets in Action

Review:

1. What is an economic system?
2. What are the three types of economic systems?
3. What is an example of each of these systems?
4. What are the three questions each of these systems must answer?
5. Compare and contrast their answer to the three questions?
6. What are the four principles of capitalism?
7. What is socialism?

8. What is the reality of socialism versus capitalism with regards to economic systems?
9. What is the invisible hand?

Key Terms:

10. Market clearing price:



Introduction:

11. Describe what occurred in this John Stossel video on 'spontaneous order'.
12. In talking about markets, what would be another name for this "spontaneous order"?
13. How was this skating ring similar to the marketplace?
14. How did this video reflect the concept of the invisible hand?
15. How did Stossel seek to inject central planning into the marketplace of the skating ring?
16. How successful was the central planner in controlling the market?



Activity: "In the Chips"

17. How was the class divided?

18. Describe what occurred during this activity.

19. What is self-interest?

20. How do people act in their self-interest?

21. What was your goal of this activity?

22. How did the buyers seek to accomplish their goal?

23. How were these buyers similar to people shopping at Safeway?

24. How did the sellers seek to accomplish their goal?

25. How were these sellers similar to a business such as Safeway?

26. How were both the buyer and sellers similar to a buyer and seller attempting to make a transaction involving a used car?

27. How successful were you during this activity?

28. What is a profit?

29. Why did the profit vary within the class?

30. How did the players use the knowledge gained during this activity?

31. What do we call this knowledge?

32. What evidence did we see of this knowledge?

33. What is an example of a person who has specialized human capital in market operations?

34. How do we see evidence of this human capital and specialization?

35. What incentive was there to make a transaction?

36. What made a transaction "good" for you?

37. What would have made a transaction "bad" for you?

38. What incentive might you have had to make a bad transaction?

39. Are businesses ever in a position of having incentives to make “bad” transactions?

40. When do stores mark down Christmas items, Halloween items, and other holiday items and why are they sometimes willing to take a loss on this merchandise?

41. What conditions made our market work well?

	We Buy Cash	We Buy Cheques	We Sell Cash/Cheques
U.S. Dollars	0000	0000	0000
Pounds Sterling	0000	0000	0000
Euros	0000	0000	0000
Canadian Dollars	0000	0000	0000
Barbados Dollars	0000	0000	0000
Trinidad & Tobago \$	0000	0000	0000
Guyana Dollars	0000	0000	0000
Jamaican Dollars	0000	0000	0000

1st National Bank
St. Lucia Limited

42. What could have created problems in the market?

43. What statement can we make regarding the prices at which transactions were taking place during the progress of the game?

44. In which round was there the greatest range in transaction prices?

45. What can we say regarding the range of prices during the last round?

46. Where was the invisible hand in this activity?

47. In which round did we have the greatest speed in making transactions as well as the largest number of transactions and why?

48. Did a price develop at which most buyers and sellers were satisfied?

49. What happened to sellers attempting to charge too much?

50. What happened to buyers unwilling to pay a "reasonable" price?

51. What would have happened to the market clearing price if we had half as many buyers?

52. What might have happened to the market clearing price if we had half as many sellers?

53. What role did greed or self-interest play in the market?

54. How important is profit as an incentive for businesses?

55. What incentive does this give to a business?

56. What might have been the result if the businesses were forced to compete with a "non-profit" business?

57. How would this non-profit ultimately create unsatisfied consumers and why?



Lesson 22

The Six Broad Social Goals and Intervention in the Market

(60 points)

Review:

1. What is the definition of economics?
2. What is the basic economic truth?
3. What is the significance of the basic economic truth?
4. What is the standard of living?
5. What is GDP?
6. What is per-capita GDP?
7. What is an economic system?
8. What are the three types of economic systems?
9. What is economic freedom?

New Key terms:

10. Economic Efficiency:

11. Economic Growth:

12. Economic Security:

13. Economic Stability:

14. Economic Equality:

15. Patriotism:

16. Business cycle:

17. The Safety net:

18. Inflation:

19. Deflation:

20. Competition:

21. The Federal Reserve Bank (The FED):

22. Fiscal policy:

23. Monetary policy:



Class notes:

24. While all nations share these common broad economic goals, what is the reality?

25. What is economic efficiency?

26. Why is economic efficiency important in view of scarcity?

27. What are the four broad economic social goals?

28. What is the nature of Economic growth?

29. Why is economic growth important?

30. How many new jobs does the US require each month and why?



31. Why does pressure for “redistribution” increase during periods of low economic growth?



32. Why is economic freedom important for economic growth?



33. What is economic security?

34. How did the government react to the recent hurricanes or tornado disasters?

35. What are several examples of how our society seeks to provide economic security?



36. What is economic stability?

37. How did the government react to the recent crisis in the housing and banking markets?

38. What is the difference between inflation and deflation?

39. Why does the nation desire some level of unemployment?

40. What is the Philips Curve and what does it illustrate?



41. Why does the "official" US unemployment numbers mask the true nature of the labor market?

42. What is Economic equality?

43. Compare and contrast how a free or a mixed system like the US and a Central planned system such as Cuba view economic equality?

44. How does the US seek to provide equality in opportunity?

45. How does Cuba seek to provide equality in outcome?

46. What has recently occurred with regards to how our government defines economic equality?



47. How has the recent economic crisis contributed to this shift?

48. Why can it be said that in seeking economic equality many capitalists can "behave" a little socialistic?



49. Why does Mr. Lopez believe that Economic freedom is the most important goal?

50. What argument does Mr. Lopez that increased economic freedom can solve our current economic crisis?

51. What evidence is there that reducing economic freedom has a negative impact on a nation's economy?

52. What is the difference between fiscal policy and monetary policy?

53. What actions can the government and/or the FED take with regards to the economy?

Situation	Government (Fiscal)	FED (Monetary)
The economy is slowing down, unemployment increasing.		
The economy is growing too fast, low unemployment.		



54. What is the nature of fiscal policy in the European Union?

55. What is the nature of monetary policy in the European Union?



56. What is the “ECB” and how is its mandate different from that of the FED?

57. Why have the various fiscal policies in Europe contributed to the current economic crisis in Europe?



58. Why haven't nations such as Spain, Italy, and Greece used monetary policy to “correct” their economic situations?

59. What option would these nations have if they did not use the Euro?



60. Why is at least a partial breakup of the Euro-zone increasingly probable?

Class Notes:

Survivor and Bean Hunting Activity:

2. Describe what happened to the beans during the first round:

3. How was the outcome different during the second round?

4. What explanation is there for the hunter's behavior in the second round?

5. What would probably have occurred if the second round was open ended (not limited to 9 turns)?

6. How was the behavior during this activity similar to the outcomes during our Survivor activity?

7. How was the class divided for the survivor activity?

8. Describe the two rounds of survivor?

9. What was the outcome of the first round:

10. What was the outcome of the second round?



11. Why did the tribes behave the way they did during the first round?
12. What explanation is there for the change in behavior after the first round?
13. What role did property rights play in preserving the fish during the second round of survivor?
14. What role did property rights play in preserving the beans during the second round of our hunting for beans activity?
15. The fish in the first rounds our survivor activity and the beans hunting activity were an example of a common good that could be depleted. They were owned by the public, and anyone could use them freely. What might happen to the peaches in a peach orchard located next to a school?
16. What could the owner do to reduce this problem?

17. How would this reflect the concept of “property rights”?

18. How could each of the following common goods be “overused” in a similar fashion?

- a. An apple tree in a public park.
- b. Highway 4 during rush hour
- c. The shrimp platter at a party.
- d. The air over Los Angeles.
- e. The grounds on a school campus?

19. . What can be done to each of the following to ease the problem using the concept of property rights?

- a. An apple tree in a public park.
- b. Highway 4 during rush hour
- c. The shrimp platter at a party
- d. The air over Los Angeles
- e. The grounds on a school campus

20. What is London doing to ease congestion in the downtown areas of that city?



21. What is the Vatican doing to reduce “overuse” of the Vatican Museum during peak times?



22. How is New York using property rights to limit development and to preserve historic buildings?

23. How is France using Property Rights to preserve historical buildings?

24. What explanation is there as to why during the recent Chinese earthquakes, many office towers and hotels remained standing but hundreds if not thousands of school children died when their buildings clasped?

25. Why is the service at the local dry cleaners so much better than that at the office of Motor Vehicles?

26. What is the nature of the Buffalo business that Ted Turner operates?

27. Why does he have one of the largest private herds of buffalo in the world?

28. How does his business help to preserve the buffalo?

29. How did property rights preserve the Bison in Europe?

30. Why are the Bison in Europe now endangered?

31. Why is the wild mustang and many animals in public parks "endangered"?

32. Why might be done to preserve these species?

33. What is the problem with preserving elephant herds in Africa?

34. What are the two different approaches that nations have taken in trying to preserve the herds?

35. Which has been more successful and why?



36. Why has it been difficult to preserve the Caspian Sea Sturgeon?

37. How is property rights in Florida helping to preserve this fish species?



Lesson 24
Externalities
(8 points)

Review:

1. How did our survivor./hunting for beans activities illustrate the importance of property rights?
2. What are some other examples of the importance of property rights?

New Key Terms:

3. Externalities:
4. Positive Externalities:
5. Negative Externalities:

Class Notes:

6. What causes externalities?

7. What are the two types of externalities?

8. What are examples of each?

**Demand
Lesson 25
(36 points)**

Key Terms:

1. Complements:

2. Substitutes:

3. Substitution effect:

4. Income or Wealth effect:

5. Demand:

6. Law of Demand:

7. Individual demand schedule or graph:

8. Market demand schedule or graph:

Class Notes:

9. What were some products (goods and services) in demand when your teacher was in high school?

10. What are some goods and services (products) in demand in NY during the winter?

11. What is demand?

12. What are some examples of demand?

13. What is the Law of demand?

14. What is the nature of demand?
 - a. The obvious cost?

 - b. Why price is important?

 - c. What purchasing one product means?

 - d. What is the significance of an increase in the price of a product?

 - e. What can we expect knowing the Law of Demand?

15. Why are there sometimes "exceptions" to the Law of Demand?

16. Why the Law of Demand occurs?

17. What is the relationship of demand and income/wealth?

18. What is the income/wealth effect?

19. Why is this frequently now being called the wealth effect?

20. What is an example of the income effect?

21. Why is the drop in housing prices pushing the country into a recession?

22. What is the difference between normal and inferior goods?

23. How can you predict in October what the Holiday shopping season will be like?

24. What wants might you satisfy in your income increases?

25. How does an increase in income affect our purchases of inferior goods?

26. Why does the substitution effect occur?

27. What are examples of substitute goods?

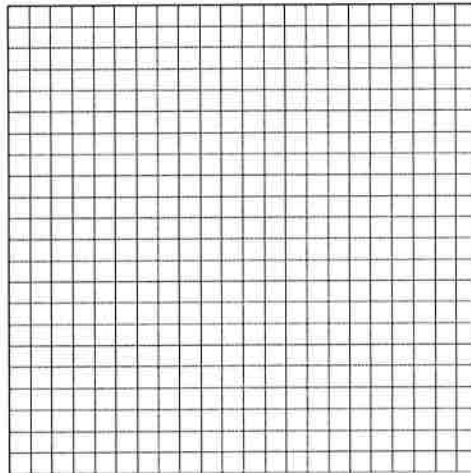
28. What are complementary goods?

29. What are examples of complementary goods?

30. What are individual and market demand schedules/graphs?

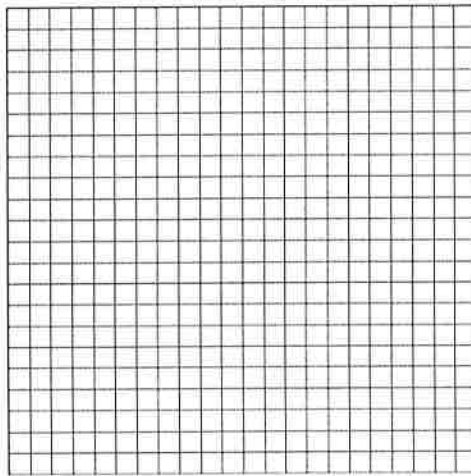
31. Individual Demand Schedule:

32. Individual Demand Curve:



33. Market Demand Schedule:

34. Market Demand Curve:



35. What can cause a shift in demand?

36. Why a change in price of a product will not shift a demand curve for THAT product.

Lesson 26
Elasticity of Demand
(16 points)

Key Terms:

1. Elasticity:

2. Elasticity of demand:

3. Inelastic:

Class notes:

4. What is elasticity:

5. What is elasticity of demand simply stated?

6. What risk is there in raising prices to cover higher costs?

7. What are inelastic goods?

8. Why needs and "important" wants are inelastic?

9. Why can the unknown variable influence inelasticity?

10. What is the relationship between price and elasticity of demand?

11. What factors affect elasticity of demand?

12. What is the relationship of elasticity of demand to increasing revenue?

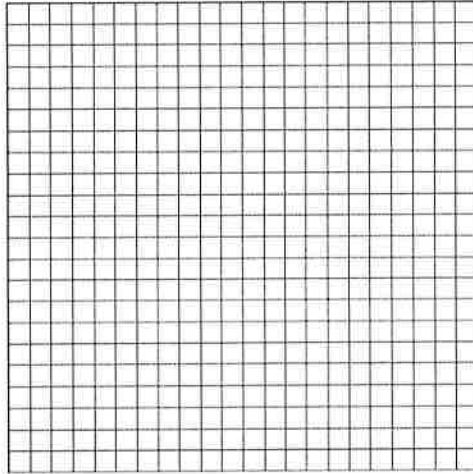
13. What is the "magic formula" in determining the elasticity of a product?

14. How fast is elasticity?

15. How is it possible that DLS can raise their tuition and still have a full school of student?

16. How can a Broadway show or concert raise their prices and still have a sell out crowd?

16. Market Supply Curve:



17. What is elasticity of supply?

18. Why is time a factor in elasticity of supply?

19. What can cause a shift in supply?

20. What are production costs?

21. What is the role of new technologies to changes in supply?

22. What are variable costs?

23. Examples of variable costs?

24. What are fixed costs?

25. What are total costs?

26. What role can government play with regards to supply?

27. Why government subsidies work?

28. Why increasing taxes can reduce supply?

29. What role do government regulations play in influencing supply?

30. What are other influences on supply?

31. Why is the number of suppliers important?

Lesson 28
Combining Supply and Demand
(30 points)

Key Terms:

1. Equilibrium:

2. Disequilibrium:

3. Price floor:

4. Price ceiling:

5. Subsidy or Price support:

Class Notes:

6. What is the Law of demand?

7. What is the Law of Supply?

8. How do we illustrate supply and demand combined?

9. What is equilibrium?

10. What is disequilibrium?

11. What are the two causes of disequilibrium?

12. What are three forms of government intervention affecting equilibrium?

13. What is a price ceiling?

14. What is rent control and why is it a price ceiling?

15. Why do we have rent control?

16. What are four effects of rent control?

17. Why is there a disincentive to supply new housing?

18. Why does rent control always result in a permanent shortage of housing?

19. Why is New York City the largest landlord in the city?

20. Why is College Ave in Oakland nicer than College Ave in Berkeley?

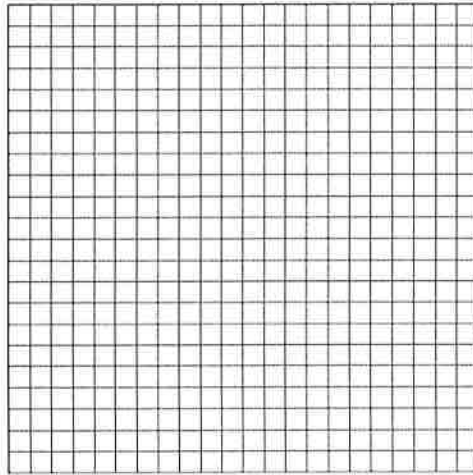
21. What is a price floor?

22. What is minimum wage and why is it a price floor?

23. Why does minimum wage always result in permanent unemployment?

24. What are subsidies and how do they affect equilibrium?

30. Market Supply and Demand Curve:



Lesson 29
Understanding Rent Control and Minimum Wage
(37 points)

Rent Control

Review:

1. What is the law of Demand?
2. What is the Law of Supply?
3. What is Equilibrium?
4. What is Disequilibrium?
5. What is a price ceiling?
6. What is a price floor?

Class Notes:

7. What is rent control?

8. What was/is the purpose of rent control?

9. How does rent control work?

10. What is the history of rent control?

11. Where does rent control exist?

12. What is the relationship between Rent control and equilibrium?

13. Why there is a disincentive to create new housing.

14. What does rent control ultimately result in?

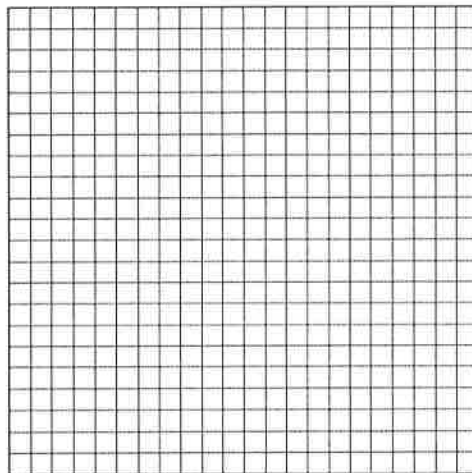
15. Graphing rent control.

- a. The town establishes a maximum rent of \$600.00
- b. The market demand and supply schedule in units of housing is follows:

Market Demand and Supply schedule:

Price	Supply	Demand
0	0	2000
200	100	1500
400	300	1100
600	500	900
800	700	700
1000	1100	500
1200	1500	300

Graphing:



16. What is the actual shortage?

17. How could the city use a subsidy to increase the number of units available?

18. What other methods of increasing housing that could be used?

19. What is Section 8 and what was its purpose?

20. How can you get your first house at a discount?

21. Why does rent control always result in a shortage of housing?

Minimum Wage

22. What is minimum wage?

23. What is the purpose of minimum wage?

24. How does minimum wage work and who sets it?

25. What is minimum wage in The US, California, and San Francisco?

26. What does the President support with regards to minimum wage?

27. Why do many economists oppose a major increase in minimum wage?

28. What is the relationship of minimum wage and equilibrium?

29. Why there is a disincentive to hire?

30. What are the additional cost added to wages?

31. What are the ultimate results of minimum wage?

32. What is the cost benefit analysis of minimum wage, why we are better off?

33. What argument does Mr. Lopez make in supporting minimum wage?

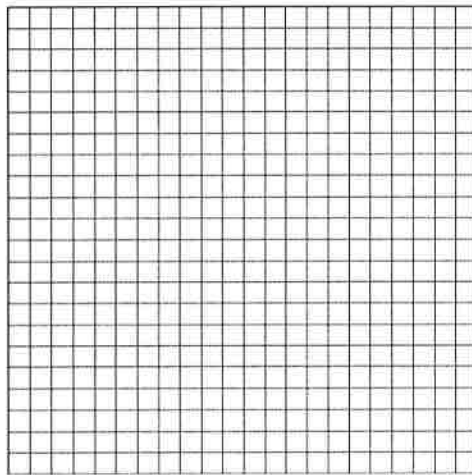
34. Graphing minimum wage

- a. The city establishes a minimum wage of \$9.00 per hour
- b. The market demand schedule (for workers by employers) and market supply schedule (the number of people willing to work) for labor is as follows:

Market supply and demand schedule for labor:

Wage	Supply	Demand
\$5	200	1500
\$6	300	1000
\$7	500	900
\$8	800	800
\$9	900	700
\$10	1000	500
\$11	1500	300

Graphing:



35. What is the resulting excess supply (unemployment)?

36. How could the city use incentives to increase employment?

37. Why does minimum wage always result in permanent unemployment?

Lesson 30

Using Supply and Demand to Save endangered Species

Panda Meat anyone?

(47 Points)

Markets in Action Activity:

1. What is a market?
2. What is the purpose of a market?
3. What is a free transaction?
4. Describe the "DLS Real World Markets in Action Activity".
5. How did this activity reflect the concept of normal and inferior goods?
6. How did this activity reflect supply and demand?
7. Why does last minute sales at stores going out of business create bargains for shoppers?
8. What affect is the current Great Recession now having on supply and demand at our retailers?

9. Which retailers were doing poorly during the recession and why?

10. Which retailers are doing better and why?

11. How is this situation similar within the restaurant industry?

Using Supply and Demand to Save Endangered Species:

12. What is the problem of extinction?

13. What are some goods that we will never run out of?

14. How many bulls are killed in Spain every year?

15. Why will Spain never run out of bulls?

16. Why were donkeys important in the past in Alhama de Almeria, Spain?

17. How many donkeys are in Alhama today?

18. What happened to the donkeys?

19. What is the problem with Panda's?

20. How is China using economics to save the Panda?

21. How much does it cost to hold a Panda at China's Panda "Center"?

22. Why does China always have baby Pandas there?

23. What methods is China using to increase Panda population?

24. What evidence is there that China is having some success?

25. How can China be more successful in this endeavor?

26. Why are there Tiger farms in India?

After reading article regarding Panda tickets, answer the following questions:

27. What information from this article indicates that they were not charging enough for the Panda tickets?

28. What was the real value of these tickets and how do we know this?

29. Why does Mr. Lopez believe the zoo had no reason to complain about people reselling the tickets?

30. Who owns the national zoo and what might have been different if the zoo had belonged to Mr. Trump or another individual?

31. If the Atlanta Zoo is correct and Zoos with Panda's typically lose money due to the costs involved, why would a zoo like the Oakland Zoo want Pandas?

Understanding Blubber the ultimate solution to the energy "crisis"

32. Why does Mr. Lopez and some economists suggest looking at the history of the whaling industry and blubber to find the solution to the current energy crisis?

33. What replaced candles as a source for lighting?

34. What was the incentive that motivated whalers?

35. How fast did this industry grow?

36. As demand increased for blubber what happened to the whales?

37. How is this similar to what has occurred in the petroleum industry?

38. How were market forces working in the whaling industry and why did a shortage develop?

39. How bad did the Blubber crisis get and what was the result?

40. How did the free market save the remaining whales?

41. Why will we never run out of petroleum if we rely on the free market?

42. How will the Law of Supply continue to supply petroleum until we switch to another energy source?

43. How will the Law of Supply provide us with these alternative energy sources?

44. What is the danger of attempts to hold down petroleum prices?

45. What will result at the gas pump if government establishes price ceilings for gas prices?

46. What was so great about the article in Wired Magazine?

47. Why does Mr. Lopez support letting gas prices increase in the marketplace?

Lesson 31
Odds and Ends
(11 points)

Key Terms:

1. Excise taxes:

2. Progressive taxes:

3. Regressive taxes:

4. Stock:

Class Notes:

5. What are the three ways that a business may be organized?

6. What are the two types of partnerships?

7. What are the advantages of each of these types of partnerships?

8. What are examples of excise taxes?

9. Why are excise taxes regressive?

10. What is income tax?

11. Why is income tax a progressive tax?