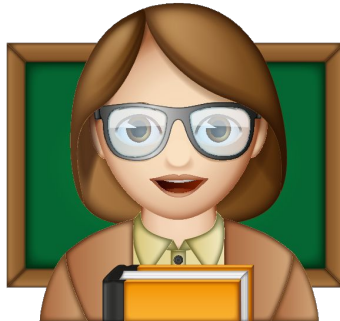


Scarcity, Production and Markets

virtual Class N.1
Mrs Le Gurun



What does **production** mean in economics ?

What are **markets** for?

Is there another way to deal with **scarcity**?



1/The Economic Problem (CV #1) and the Economic Systems

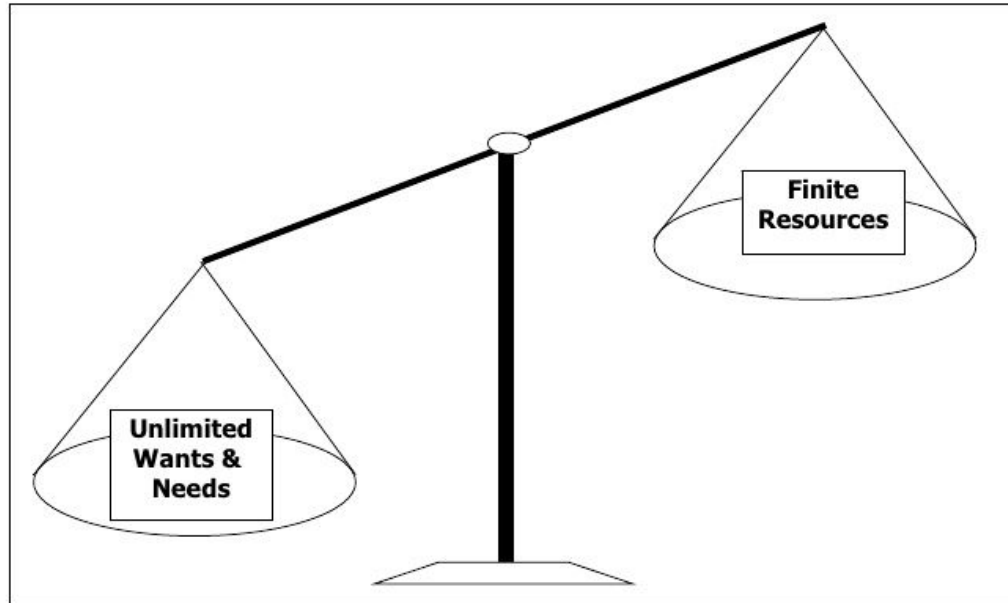
2/ Producing Means Producing Added Value (CV#2)

3/ How Do Markets Work? (CV#3)

4/ Companies Play a Major Role in the Creation of Added Value(CV#4)

1/The Economic Problem

SCARCITY



1/The Economic Problem

We, as a society, have to figure out 3 things:

1 WHAT to produce

2 HOW we produce it

3 WHO gets it

*... Answer these 3 questions, and you've got an **economic system!***

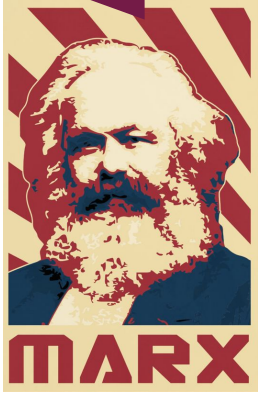
How Different economic systems deal with scarcity



[Economic systems by Crash Course Economics](#)

Planned economy

Collective property, public interest and large government intervention



Abolition of Private property
Many taxes
A lot of regulation
One government monopoly produces everything

Free market economy: Capitalist economies

private property, self-interest and few regulation



Private property
Few taxes
Few regulation:
“Laissez Faire”

*In the middle we have the rest of our world... Most modern economies are actually **mixed economies**.*



“It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own self-interest”

— Adam Smith (1776)

*Comment on this quote!
What are the merits and
limits of markets?*



““The proletarians have nothing to loose but their chains. They have a world to win.”

— **Karl Marx, The Communist Manifesto (1848)**

*Comment on this quote!
What are the merits and limits of a
collective property-based system?*

MODERN ECONOMIES ARE **NEITHER COMPLETELY FREE
MARKET NOR PLANNED**. THERE'S A SPECTRUM OF
GOVERNMENT INVOLVEMENT.

Because...



There is a bunch of things the government must do because free markets won't:

- 1 Maintain the **rule of law**: police, contracts, courts are necessary to keep things in order



- 2 We need **public goods and services**: roads, bridges, education and defense... to get goods brought to consumers



- 3 Government can and must **correct markets** when they're going wrong



Example of market inefficiency: when dreams come true...



When I listen to my own tastes and wants, I can dream of a beautiful SUV. The only things I will worry about would be its color, whether it is autonomous or high-tech... And businesses will produce exactly what I want!!



Arrrgh. Most of us aren't worried about the air pollution that it would generate, who made that car, what they were paid, what the conditions at the factory were like...

The way governments tackle market inefficiency

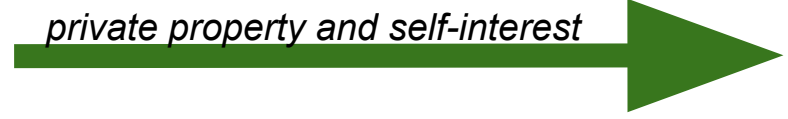
Pfew.
When I realize that government steps
in to REGULATE production...



Cars need to meet strict emissions
and safety standards. There are laws
dictating how much manufacturers
can pollute and how workers should
be treated.

Planned economy

Free market economy



Northern Korea

*In the middle we have the rest of our world... Most modern economies are actually **mixed economies**.*



Free market economy in New-Zealand

A command Economy
One government monopoly
produces everything



Private property
Individual freedom
Few taxes
Few regulation
Competition
Efficiency

The neverending debate over free markets and government control

Up to you!

Play the role of Donald Trump and present the merits of free markets and the limits of government intervention.

Play the role of Greta Thunberg and present the merits of government intervention and the limits of free markets.

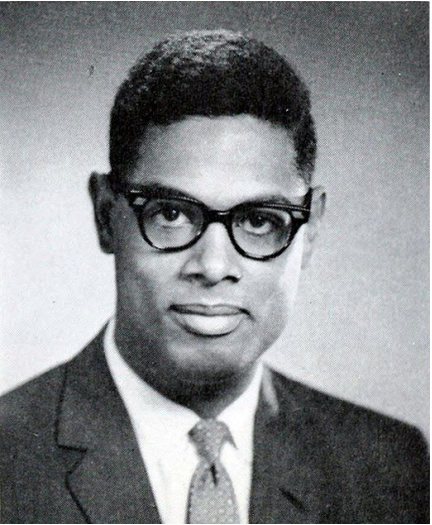


Compare your personal values...

and opportunity costs



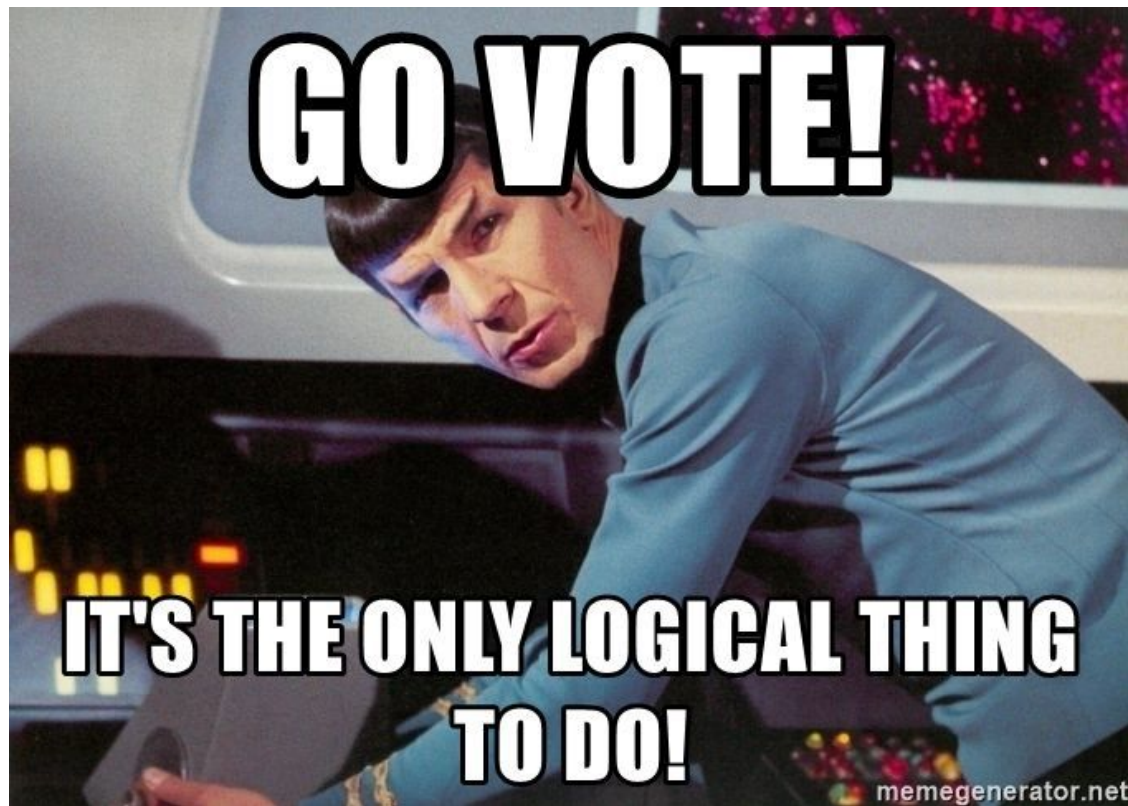
Got it ?!...Economists use to say:



“There are no solutions, just trade-offs”

— **Thomas Sowell (1930-...)**

Finally, you have to choose:



that's it for today, folks!

