Stocks and flows

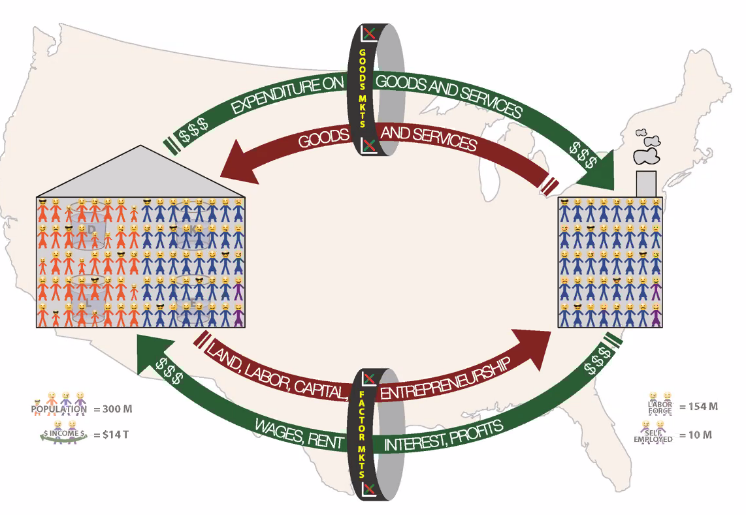
1. Stocks are static variables and flows are dynamic variables.
   * Land:
   * Labor:
   * Capital:
   * Entrepreneurship:

What, How, For Whom?

1. What -> Consumers are king: **what** is produced is determined by the consumer.
2. How -> Resource market: is the **how.**
3. Whom -> Labor market: is the **whom**.

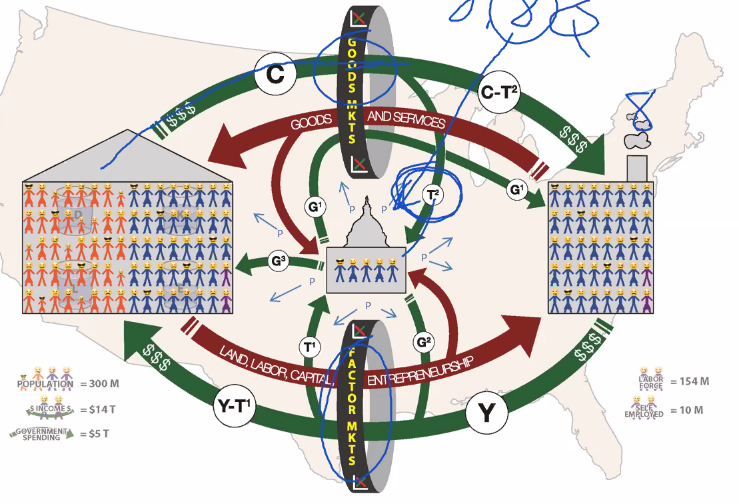
Specialization:

1. Two components of the specialization:
   * Economic agent
   * Firms

The free market:

1. The resources in the economy reside with the individual. Even corporations.
2. Good markets: Walmart is supplying the market and people are demanding (micro).
3. Factor markets: Walmart demands labor and people offer their labor.
4. Example: Soda was made of several resources, which can be mapped by income made by somebody else.

Enter the government:

1. We need a government; we need a limited government; it is when government gets too big when the problem starts.
2. Government demands public goods: not everything government demands are public goods, public goods are non-excludable (hard for people not to pay, taxes) and non-rival.
3. Government takes a part to divert and maintain itself.
4. Government makes some Robin Hood spending, example: take from the healthy and give to the sick, take from the employed and give to the unemployed, taking from one person by tax by force and giving that which was taken and give it to another person. The government takes an income tax and takes a sales tax, then the government does some government stuff.
5. Interesting: Guatemala, Chile and Panama are in the top quartile of economic freedom, South America usually demand a more authoritarian approach.

Enter the rest of the world:

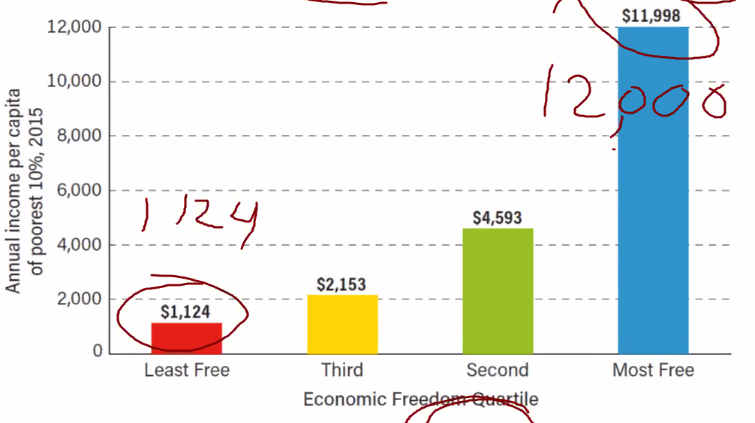
1. How money is leaving and entering the country,
2. Foreign exchange is necessary for exchange in currency.

What is economic freedom?

1. When the property they acquire without force, fraud or theft is protected from physical invasion by others and they are free to use, exchange, or give their property as long as their actions do not violate the identical rights of others. (Do what you want but do not hurt other people).

**The five areas of EFW index:** the higher the index the freer the country. Each one of the categories of interest are measured and then the average is taken and that is the index. The overall number for each country is the average of the indexes of interest.

1. Size of government:
   * If we add the informal economy the score gets even better maybe.
2. Legal system and protection of property rights
3. Access to sound money
   * High or low inflation.
4. Freedom to trade internationally
5. Regulation of capital, labor, and business
   * This is a little blurry, things such as the restriction on “hired workers can’t be fired”.

**Lessons from the EFW project:**

* Income inequality has been reduced.
* Guatemala is bringing down the average of the top 25% countries of high economic freedom.
* Economic growth: when the bow increases it is radius.
* The poor in the least free countries are 12 times worse off.
* Countries with the least economic freedom have reported dying of starvation during the COVID-19 crisis.
* Life expectancy is about 20 years longer in countries with the most economic freedom.
* Females in freer countries have better opportunities.
* Happiness, self-reported happiness, more money can make you happier.
* Smaller ‘Size of government’ than all average quartiles.
  + The more Robin Hood spending the less economic freedom.
  + Do not give more money to the wrong people.
* Robin Hood spending affects charitable organizations, the more spending the less charitable organizations do in a society.
* Guatemala has a level of bribes that is very high.
* Guatemalan corruption impacts more than you think.
* There can be a minimum wage that is not harmful. There are lots of factors that come in to play.
* Possibly politically lowering the minimum wage can be proposed as: lowering the minimum wage but increasing some other Robin Hood spending.
* Video: Hans Roslin’s 200 Countries.