I. Economic Systems

1. Function

1. production and distribution of goods and services

2. ownership

3. division of labor

1. Types

1. Industrial

a. Socialism

b. Capitalism

2. Pre-industrial

1. hunter-gatherer
2. pastoral
3. agricultural
4. Socialism: Characteristics

1. collective ownership

2. production and distribution

a. for use?needs based

b. directed

c. equality

3. division of labor

a. cooperative

b. worker controlled

4. rights: economic

D. Capitalism: Characteristics

1. ownership: private

2. production and distribution

a. for sale

b. ownership control

c. competition

3. laissez faire

4. work

a. wage labor

b. owner controlled

5. right: individual pursuit of profit.

E. Free Market Theory: Capitalism is best possible economic

system

1. understands the market place

"A freely competitive economy will regulate itself by the "invisible hand of the market place."

a. natural phenomena

b. governed by laws

2. understands human nature

a. psychology: human beings are greedy

b. human beings motivated by self-interest

c. self-interest = pursuit of profit and wealth

F. Laws of the market place

1. supply and demand

a. needs create market place demands

b. market responds by creating supply

i. individuals (entrepeneurs) create products to meet demand

ii. guarantees competition

c. competition guarantees

i. consumer needs will be met

ii. high quality

iii. low price

iv. rewards individuals

innovative

highly motivated

efficient

risk taking

v. monopolies a threat

d. supply and demand guarantees that social needs will be

met

2. Second law : accumulation of profits

a. capitalist will accumulate wealth

b. reinvest in technologies of production

c. increase productive capacity

3. Third Law: good for the capitalist is good for the worker

a. free labor: workers can move from job to

job as each area tries to meet needs

b. competition between capitalists forces employer to keep wages up

c. wages will necessarily be above subsistence

4. Fourth law: laissez-faire or no government intervention

a. disrupt laws of market place

b. negatively affect incentive

c. reward losers

G. No government intervention EXCEPT:

1. Create financial infrastructure

a. system of finance

b. taxes

c. system of tariffs

d. U.S. Constitution Article I Sec 8

2. Create physical infrastructure

3. Industrial capitalism: externalize

a. social costs

b. environmental costs

4. Military

a. defense

b. expansion for resources

c. protection of interests

II. Marx’s critique of capitalism

A. Philosophical critique: Assumptions about human nature

1. Free market theory describes alienated human being.

2. Real nature of human being: species being

a. free productive activity

b. collective participation in constructing

the social world

3. The result of capitalism: alienation

a. not subjective (feeling)

b. objective

c. forms of alienation

i. end product

ii. labor process

iii. fellow human being

iv. from self

d. alienation and service economy

i. managed heart

ii. goal

B. Structural critique:

1. Class conflict: worker v owner

a. can’t be reconciled

b. unequal

c. capitalism will self-destruct

2. Conflicting interests

a. interest of capitalist

i. profit

ii. expansion

iii. control of means of production

iv. cost control

b. interest of worker

i. life

ii. affirmation of human nature

3. Unequal power

a. power of capitalist

i. owns means of production

ii. makes decisions: hiring and firing, technology, output,

work environment, distribution, location.

ii. controls state

iv. controls of the ideological institutions

(false consciousness)

b. power of worker

i. owns labor power, but dependent

ii. class consciousness

4. Self-destruction

a. huge monopolies

b. competition to lower and lower prices-

declining rate of profit

c. workers lower and lower wages

d. system will implode

e. workers will recognize class consciousness

C. Marx was wrong, underestimated, anticipate

1. Didn’t self-destruct, almost Depression

2. Wealthfare state

3. Post WWII:

a. economic boom in America

b. rise of middle class with a consumer consciousness rather than class consciousness

4. Rise of mass media

5. Rise of shared monopolies with common interests

6. Deindustrialization

7. Technology as ideology

D. Right

1. large corporations controlling economy- megacorporations

2. conflict between workers and owners

3. dependence on third world

III. U.S. economy: Post-industrial

A. Monopoly Capitalism

1. Large MNC

2. Government Wealthfare

B. Large MNC are the dominant institutions

1. size

2. concentration of ownership

a. shared monopolies

b. interlocking directorates

c. shareholders: financial institutions, top 1%

3. constraints

4. power

a. power over global and domestic economies

b. power over governments by controlling their political systems

c. own and control mass media and filter information

d. power to create demand through advertising

e. power over labor

f. power over regulation

C. Wealthfare

1. Definition: public monies and resources to private corporations and

industries.

2. $450 billion

3. Examples

a. Chicken McNuggets, Pillsbury, USAID

b. bailouts: airlines, Long Term Capital Management, Bear Stearns/MorganChase, Fannie Mae/Freddie Mac?($5 trillion, down 70%

c. public resources to private corporations: Telecommunications Act of 1996

d. subsidies: agriculture and energy industries

e. fast foods: Work Opportunity Tax Credit

f. Research and Development: BMS (Taxol)

g. externalities: nuclear industry