

ECONOMICS EXPLAINED

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PART I: THE ECONOMIC BACKGROUND

Chapter 1: Capitalism: Where Do We Come From?

1. What three things are necessary to have a capitalist economy?
2. What is usury?
3. What was the medieval attitude toward usury?

MARKET SOCIETY EMERGES

4. What is a market system?
5. What is a "market in capital"?
6. What are the three factors of production?
7. What is the difference in the use of labor, land, and capital in pre-capitalist and capitalist economies?
8. How did England move from a pre-capitalist economy to a capitalist economy?
9. What social changes occurred to allow the development of a capitalist economy?

THE UNLEASHING OF TECHNOLOGY

10. Why did pre-capitalist society not stimulate the advance of technology?

THE INDUSTRIAL REVOLUTION

11. How did technology change the standard of living?
12. What is meant by the phrase, "division of labor"?
13. How did the division of labor affect social life?

THE POLITICAL DIMENSION

14. How did the development of capitalism affect the organization of society?
15. Why is the phrase "laissez faire" associated with Capitalism.
16. What is the title of Marx's most important writing and when was it published?
17. According to Marx, how does capital generate profit?
18. What is Marx's theory of surplus value?
19. How does the capitalist continually increase the surplus value and thus increase profit?
20. According to Marx, how does capitalism increase class conflict?
21. What will happen to the labor force as the market leads to a few large firms?
22. According to Marx, what was the foundation of society?

Adam Smith (1723-1790)

23. What is the title of Smith's major work and when was it published?
24. What is the major question that Smith tries to answer in his work?
25. What is the answer to this question according to Smith?
26. How does competition regulate the market?

27. What does Smith mean by the "invisible hand"?
28. What is the function of the state in the operation of the market?
29. According to Smith, how does the market grow?
30. How is capital produced?

Karl Marx (1818-1883)

31. How did Adam Smith view history?
32. What is the title of Marx's most important work and when was it published?
33. According to Marx how does capital produce generate profit?
34. What is Marx's theory of surplus value?
35. How does a capitalist increase surplus value and thus increase profit?
36. According to Marx, how does capitalism increase class conflict?
37. What will happen to the labor force as the market leads to a few large firms?
38. According to Marx, what is the foundation of society?

JOHN MAYNARD KEYNES (1883 – 1946)

39. How does Keynes' economic view differ from Smith's and from Marx's?
40. What is the title of Keynes' most important book and when was it published?
41. What is Keynes' basic insight about capitalism?
42. What is "under-employment equilibrium"?
43. According to Keynes, what is the role of government in the economy?

Chapter 3: A Bird's-Eye View of the Economy

THE TWO WORLDS OF BUSINESS

44. What is the very heart of an economic system of private property and market relationships?
45. What are the two worlds of business?
46. Why are small businesses important?

PAPER MONEY AND GOLD

47. What gives value to the money of the U.S. if it is not backed with gold?
48. Why would a gold standard for money cause problems?

Chapter 11: How Money Works

49. What is the goal of all central banks, such as the Federal Reserve?
50. How does the central bank regulate the economy in times of inflation or of recession?

HOW THE FED WORKS

51. How does the Federal Reserve regulate the amount of money in the economy?

MONETARISM

52. What is Milton Friedman's proposal for stimulating the economy?

PART III: MICROECONOMICS – THE ANATOMY OF THE MARKET SYSTEM

Chapter 12: How Markets Work

THE PRICE SYSTEM

- 53. What is the “law” of supply and demand?
- 54. What does the economist mean by “demand”?

BALANCING SUPPLY AND DEMAND

- 55. What does it mean to “clear the market”?

THE MARKET AS A RATIONING SYSTEM

- 56. How does the market function as a rationing system?
- 57. What is the benefit of such a system, since it denies goods to some people?

PART IV: PROBLEMS

Chapter 15: The Specter of Inflation

THE ROOTS OF INFLATION

- 58. Why does capitalism have a tendency toward inflation in the 20th century?
- 59. How do public expenditures increase the tendency toward inflation?