

Unit 3



Karl Marx and Market Failure

Lesson 1

Krugman, Module 10

pp. 102 -110

Capitalism

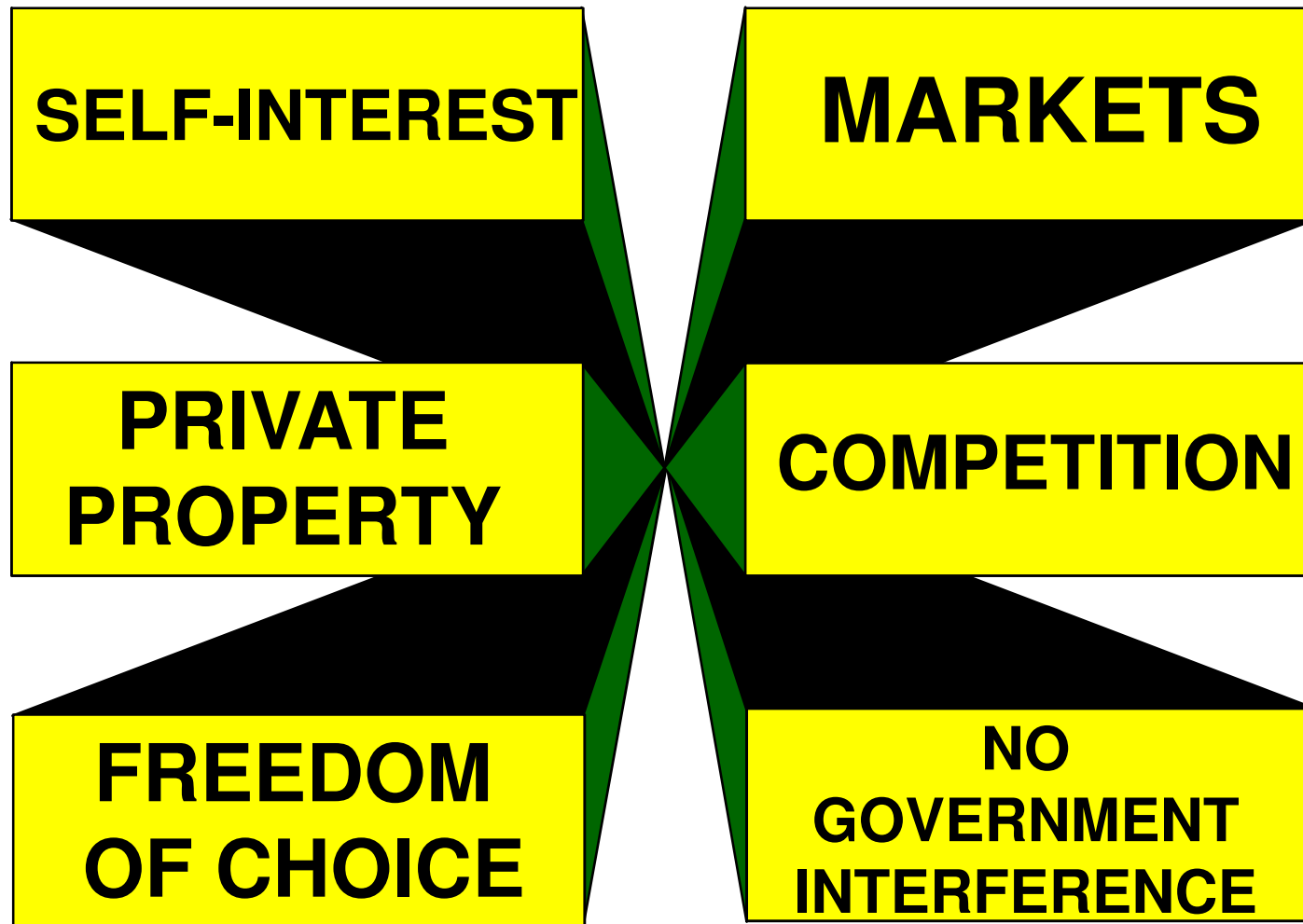


and the Market System

The Four Fundamental Questions...

- **What will be produced?**
- **How will the goods be produced?**
- **Who will get the goods?**
- **How do we get MORE?**

Smith's Free Market



CAPITALISM

Other characteristics

***Specialization and
Interdependence***

***Investment in Technology
and Capital***

***Use of Money
Financial capital***



GREED

IS

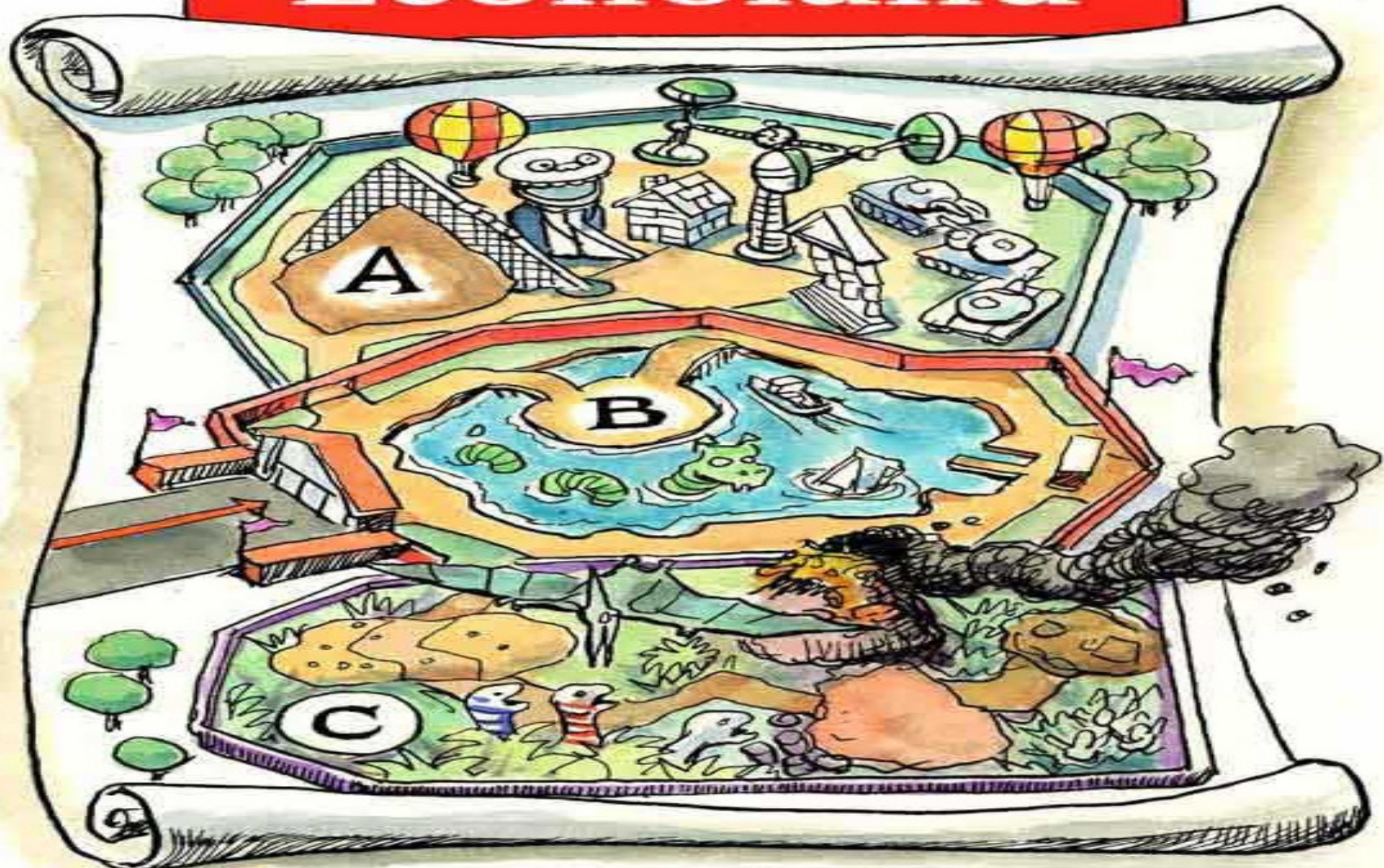
GOOD!

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Paul F. ...

Welcome to the **NEW**
MAGICAL MONETARY WORLD of

Econoland



HOUSEHOLDS

PROVIDE RESOURCES
CONSUME PRODUCTS



HOUSEHOLDS

- Start with 15 Resources:
 - ✓ Land (green chip)
 - ✓ Labor (red chip)
 - ✓ Capital (blue chip)
- Sell Resources to Businesses
- Buy Starbursts (Econos) from Businesses



HOUSEHOLDS

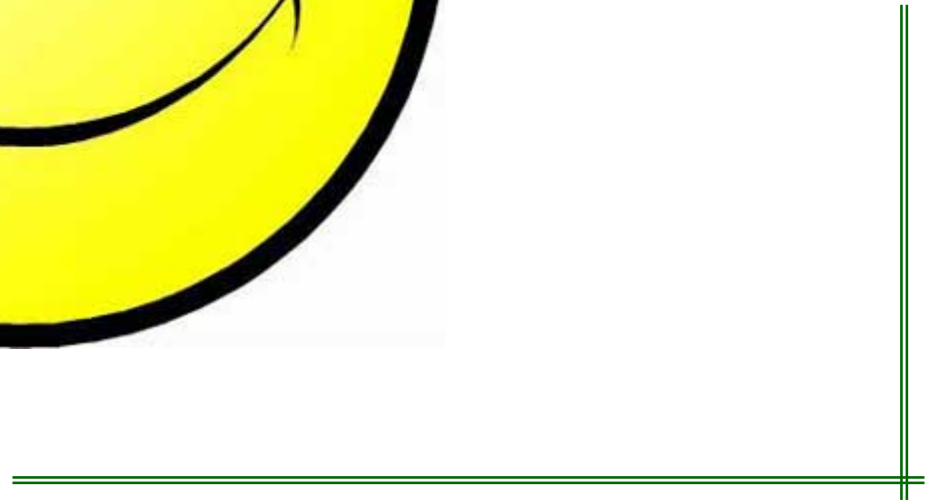
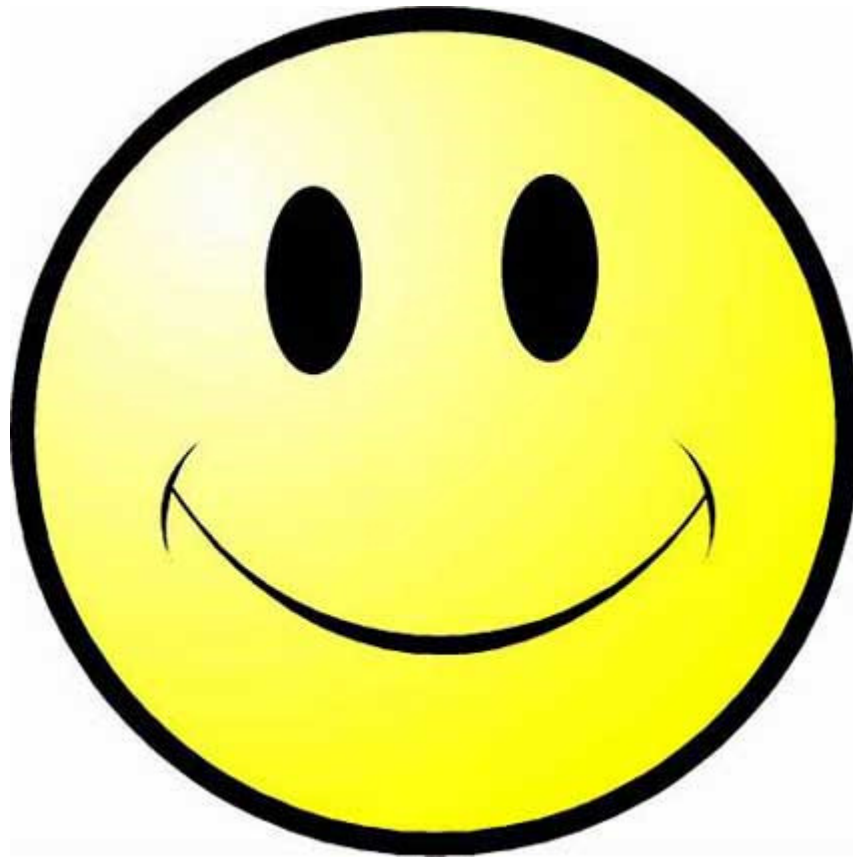
Goal:

UTILITY!

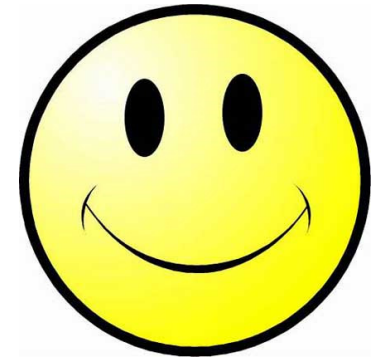
An Economic Term
for Happiness



PRODUCERS
ORGANIZE PRODUCTION
TAKE RISKS

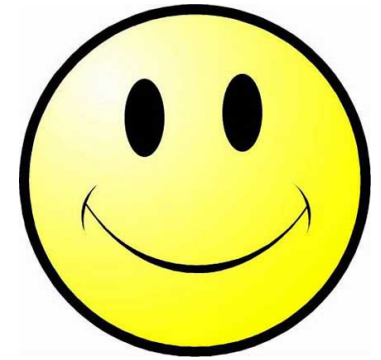


PRODUCERS



- Start with \$1000
- Buy Resources from Households
- Combine Land, Labor, and Capital to Produce Starbursts (Econos) at the Factory
- Sell Starbursts (Econos) to Households for Money

PRODUCERS



Goal:

PROFIT!



The Circular Flow

