



ANGLE TAB VISIBLE-NAME FOLDERS

CAT. No. 50939

Ec-sts are idealists w.
common sense.

Assign:

Chap. in Gulliver's Travels
re the Houynnims, & their
interest in econ.

Perhaps also in Voltaire?

Role of economist

as "expert", can tell us how to get what we want, but not what we should want.

(I question this distinction of ends & means. Gets blurred. I'm not so modest about ec-sts fn. And neither are B&C, really. They have their ideas about how things should be, that slip in & ~~distort~~ their affect their "pure logic".)

But his mean's ^{might be} ~~just~~ just that consumers decide what want, basic, ~~not~~ ultimate desires.

(Cartoon of timber, rafts, pulp mill, ^{writers at work} n.r.s., presses, delivery cars, ~~and~~ & sleazy hump reads "sex-crazed rapist shoots up squad car". Makes me regret I'm ec-st sometimes)

But no, he says ec. shdn't advocate policies. I disagree. Is only a pose anyway - he's try'g to organize yr mind so as to lead to certain conclusions. He can, by logical slip here or there, build up & tear down policies. So why not admit it?

Besides, is dull to just analyze

I will point to conclusions — not as final, ~~not~~ basis for further reasoning, & action. Can't get very far if all is indeterminate.

a, Technical.

ass. for week.

Methods.

- 2 mid tm, final, class grade. - ask qns. Challenge me - but caution: don't just be mulish & ornery. I'll knuckle under if you catch me, but don't just sound off.... like women who liked to knit but gave us something to think about while she was talk's.
- Start off w. bang
 - a, Good 1st impression
 - b, Everything builds on what goes before ... gets easier or harder, depending on early work

— Don't let down. Final doesn't count very heavy, if higher than early work, but very heavy if lower. Not simple numerical average. Gaffney method of ^{incentive grading.} ~~mental crutch~~. (Ex. 20 deal w. incentives, think about such things.) You may forget what learn here, but don't start before course over.

— Don't offer special work to help grade. But if interested, wonderful. I can tell diff.

— To help you on exams, a little compulsory studying on pts. where I know you need a push. Short, self-graded exams. On text, & pts in lecture.

— Exams will be essay type. Learn to write! So imp't, will give special lecture before exam on how to write. & special ass: B&N. (spell!) One of most vble things you will learn in this course. Express self. In case you don't know, that's one of the ways people get ahead....

— Matters of opinion

If differ, don't pretend to agree. Keep intellectual integrity. To get good grade, tell me what I said & why you disagree — if you've thought about it enough to disagree intelligently, must know it. May convince me: I still learn.

On Samuelson, ch. 2, cont.

~~Get out old papers from Ore. 201, defining econ. ~~as~~ by aspect, & standard
of msrmt.~~

Student: what's wrong w Technocracy, msrmt by ergs & joules?

Wrong msr for society - human energy is what we're economizing
msr by exch. value.

b. What is ec.

No short def. gives adequate idea. Must then define words in def.

& defs change: e.g. nuclear physics

But we'll try several, become more ~~clear~~ specific as we go along, move from genl to specific.

Refs.

Intro. def.: in terms of basic unit.

"Ec is study of exch. value." - or "whose unit is exch. value". Drop of water, aspects of

Mramt, commensurability, reconcile conflicts. Relativity.

Intertemporal ^{decisions} of cons. Will return.

1. Ec is study of human wants & their satisfaction. (Inferred by value)
... (how best to satisfy human wants)

Covers all, but too vague

2. Ec is study of ^{the organization of} production, exchange & distribution of goods & services.

... (how to ~~produce most efficiently, &~~ organize production, exch. & distrib-n most efficiently.)

Define prod-n,

exch.

distrib-n. (job evaluation, imputation. Inc. distn, conc. Wages, int., rent. Poverty mid plenty)

3. ... alloc-n of scarce resources among competing ends.

Some specific matters treated:

~~Specific~~ Reg. of natural gas pipelines;

Dev. of N.C. economy (Themistocles. Bring fiddle?)

Bases of prosperity in any economy. Lots of people hv. done lots of things re this - benefit from their thought & experience.

Public power - public vs pvt. fns, proper fn. of gov't.

Next depression

Farm "depression"

Causes of inflation (wages chase prices?)

Org. of bus. enterprises

Concentr-n of ec. power: income, ownership, control

Russ. ec., system, vs. ours. Free ent. vs soc-m. Role for both

Taxation, gov't spending

Money, banking

Labor unions

Merger movement - threat of growing conc.

Rising prices of raw materials

Problems of young man going into business.

Fn trade.

N.C. people good, value of humility, bring in outsiders, like all vigorous ec.s & cultures of all time. I'm N.E. by cultural background, but is washed up, my loyalty is here now

What is ec? (p. 3)

Is ec. a "science"? Is it possible to be scientific about such controversial, human matters?

Many difficulties in being scientific:

- a. Hard to collect data (but do so) (altho costly, & affected by bias of those who pay). (Build much science w/o data, like math, system of coherent thought)
- b. " " control experiments (but like fluoridation tests, can approximate. Stat. helps) ^{boost stat dept.} (Astronomy, meteorology)
- c. Academic vested interests. All have those.

These can be overcome, ^{at least as well as in many other studies} Main problems:

- a. Difficulty of man to observe himself objectively. Pig-headed at best, but then, downright impossible.
- b. Drawn into controversies, ... ec-st always judg'g leg-n, acts of bus etc.; & as his opinions carry some weight, is under pressure of immediate controversy

- c. Vested into use their M & power to influence.

Erhardt grants; Volker Fdn. Like campaign contributions to politicians. ^{Sen. Case.} Dixon-Yates ... Ala. man, or Miss.? Citizens Council vs N.A.A.C.P.

H. Trott, & Karrick prouss, Madaras. C.P.L., & lawyers.

Oz. Brownlee & oleo. Am. Legion & Ill. Sen. Neuberger

& P+d. State. Ag. ec. depts., & fm. price supports
all researchers, any field, get their M from somewhere. But (over)

advances come from those who withdraw from what is currently "hot", seclude selves. Einstein, nobody thought relativity of any practical value when he started. & only under stress of war was atomic energy developed. - coal-oil-power lobby wd hv. blocked else, as hv. since.

the very subject matter of ec. is where does M come from, how make
 M

Ec.sts also influenced by where get jobs. Gov't, large corps, labor unions, colleges.

Need to appear worldly wise - inferiority complex?

(Periodic mass discreditation, when follow mob psych. & call depression wrong)

What is ec., (p. 4)

If ec. seems obscurantist, ^{divorced from current issues} that is often reason. Talk to yourself, no one gets mad, except ^{unfortunate} ~~poor~~ students. Pick subjects, policies, tread on toes of no one powerful.

✓ after due allowance, is science, if approached in spirit of humble inquiry. Will do so. Not subject matter, but individual's approach to it, is what makes science. We can be scientific in our approach at least.

Study science of ec. before bus. ad. or ^{mgmt} engg, for same reasons study math before physics, & physics bfr engg - to know basic princ.

In this course, will present ec. as art, as well as science - not just to explain why, also what to do. Like engg. Social engg. If were trying you to be ec. scientists, wd hold off, develop methodology. But can't wait for that. Once it ~~wants~~ you to let slip some conclusions.

✓ To help understand what ec. is, consider what ec. means by "eff." Def. 3, ec. studies how "efficiently" we allocate.

What is "eff."

Usual concept narrow - re fuels. Eff. of one input only - & that in ~~no~~ terms of no meaning re human needs.

Ec., in value - & consider all inputs. Measure input by o.c.

Low eff. today.

What is ec. (5)

Ec. vs bus. ad., mgmt eng, time location, acctg, op. research, control stat.

~~In grad~~, These are branches of ec. — prod-n ec. In grad we leave ^{practical details} to bus. ad., but we provide basic conceptual background.

— e.g. what to aim at, for max. advantage to entrepr. — how know when achieve best combo. of resources — mgmt ~~the~~ analysis.

~~not what~~ avoid conceptual pitfalls, e.g. max AP/man, or

max. % return on undervalued assets — Hell's Canyon, KCLC

How to org. + thoughts, use data, & adm. techniques & acctg & stat. control.

$$\frac{\text{Ec}}{\text{Mgmt Eng}} = \frac{\text{Math}}{\text{Physics}}$$

What is ec, ~~(p3)~~ p.6

deal w. them, ~~some~~, on general level. -- i.e. in elementary course we deal just w. genl conceptual principles, not actual time & motion & ^{workflow} plant routing problems. Rather, genl princ. of dim. ret.; best combo. of resources -- how to know when you've got it; concept of efficiency.

Assuming you have techn. data, what to do w. them, how to organize yr. thoughts re them. *Somewhat as math. to physics, it's ec. to mgmt eng-g.*

You get plenty of that in other courses.

✓

But that incidental.

Main emphasis, relations

among plants, firms, ^{govt.} is social science. Bus. ad. advises individual how to economize w. in his own plant. Ec is basic to that - but more imp't, how society ec-gs.

Plant eng-r concerned w. routing goods, allocating resources

in plant, max use.

Social eng-r, allocating resources

Every time you spend, someone else sells (cost)

among plants for best output.

→ Creating environment

as an art

w- in which individ. plants can thrive

Natural order idea. But need channels.

Very important.

~~Creates~~

Makes individual plant

possible.

We incline to take for granted, just look

out for selves, fit in as best we can. - ind-l eng-g.

But is larger qn, how tie diff. plants together in

one coherent system - allocate raw mat.

most eff. among them, dispose of output.

Not is it simple & obvious.

Mechanism of ec: very intricate, complex, full of

feedback ~~and~~ circuits & other complexities. (a natural for an eng-r, who likes to understand mechanisms)

It is chain of causation, circular flow. Must understand that everyone
to plan personal affairs - not to mention fulfill'g resp.s as citizen.

What is ec. (~~p. 4~~) p. 7

Ec. deals
w. control,
top level.

Another characteristic of ec., you see, deals w. org. & control of ^{productive} resources, as vs. technique. Eng-g is muscle & bone of ec; ec. ~~is~~ is nerves & brain

Think, as watch bobbins turning in mill, or cans rolling down conveyor; or men pouring cement:

Corresponding to each physical act there is paper work, entries on books, checks drawn, loans collateral pledged; & ~~some~~ ^{most} of that paper work is cause, not effect.

Some where in little office, 37th storey, Chase Nat. --- man who ~~is~~ has hand on gates of credit — colossal leverage in that man's hand. W. stroke of pen he can close gates, stop all - - - -

Higher up, F.R. open mkt, little room - - - -

Another imptnt little room, assessor's office.

Another: college classroom.

Sum up: Ec. deals w. exch. value; human desires;

C. What is an ec-st?

If so smart, why not rich? Isn't trying to get rich, is devoting energy (lower)

Deals w touchy pocket-book nerve. Shifty fellow
Hedges, chess. Lay end to end --

Hell from both sides

Actually, pretty good fellow. Looks at
world objectively, no self-interest, tries to
think what good for public, how use resources effie. ^{Can speak out. Unlike diplomat, highly paid to think}
Is also, as happens, good friend of young man trying to get (over) ^{hand before say's nothing. Needn't guard, like Benson, to say true are pampered tyrants. Has time to think, set ideas, look ahead - others, perpetual fire dept. atmosphere.}
Everybody's bus. is nobody's bus? No, is ec-sts,
has no other business.

Frustrating: I know, if I cd convey to you
all in my mind: ... cd. tell you in 5 min. how
to A by 10x our welfare w-in 5 yrs. But you
wdn't understand my proposal, or reasoning behind. So
take a while, build up to it.

Have heard have solved tech, not social problems.
But ec-sts have solved --- on paper. Can't bring

most along. Long ed. process. Thermistocks. But
easier to teach you all to play violin than explain solutions
to you. Not that are intrinsically more difficult. But
you've been brainwashed from earliest childhood; are being; & will be.
So few will be convinced. What we tell you here has enough merit to support vigorously.

to another problem - how can everyone be better off. Stands off a little bit from world to see it better, & devotes full time to try'g to understand how it works & explain it to others. What good is he? Help us understand complex world of today.

started. As surveys ec., problems, notes big problems are roadblocks in way of young men starting in. If go as worker, union; or need more educ-n. If start own bus, no credit - credit flows uphill. Mpy. Hi price land. Costly raw materials, xptn costs, power rates. Taxes hit you esp.

In fact, what I want to do most here is liberate yr minds - & then how to use them. Specifically to deal w. social-ec. problems, but also for anything you want.

Basic concepts.

Ec. system as a means of reconciling conflicting desires. - e.g. for land use - by reducing to a common measure. Put up or shut up. Sure, it wd. be nice to outlaw trucks, but how much are you willing to pay for it?

Production. Do something useful. (not throw stone thru window) (except it frees site)

Utilities. 4 kinds. Also perform services

Not useful just to appropriate.

& remember to subtract depletion. Many lumber barons of dubious productivity.

Goods & services. Congealed services. ... broadcast, live & canned. Or movie - there you actually see some of the people at work

Services, no inv. ... hence less cyclical demand. (not ec. not 'materialistic')

Land - dist. from goods, bcs is not stored up labor services. & other reasons.

TV channels, rivers, ocean, oil, city lots -- all nat. res.

~~Entrepreneurs. Those who direct prodn.~~

Producer & consumer uses for goods & land.

Blast furnace - *

Draft horse - nobody loves it for own sake, just a means to an end.

But often hard to distinguish

a. Multiple use

Highways

b. Often means & ends are much same - psych. warn, ...

Problem of reconciling present & future values. Sure, wd. be nice to consume everything now, but is it worth it? $\frac{F_n}{(1+r)^n}$

Factors of Production.

Land, labor, cap.

Their incomes: rent, wages, int.

Cap - physical, not paper. Loose use of word to include total assets.

In fact, those with large assets hold bonds, or land, not so much cap - too much trouble to merge it.

Machines. Also, "circular cap" - anything that takes time to produce, as it grows, is cap.

Labor - includes housewives. Some don't, a slur.

Unempl. - K & H. shd have mentioned. Chron's & underempl. -

equingul princ. not observed.

Explicit vs Implicit

Purpose of ec.

To economize. Results when

- Treat as vble. Subject to ec. msre -- exch. value -- thus balance diff. desires vs. each other
- allow to flow freely to best use. ... produce things of greatest exch. value.

Thus get most benefits from given resource. Or use less of resource -- work less e.g. ^{or conserve} Most benefits for least cost. -- all subject to common msre.

Equingnl princ. -- last \$ brings same satisfaction, however spent. etc.

(Here, obviously, distribution & allocation coincide -- the principle we use to distribute, affects allocation.

Object of system: motivate people to produce most vble things they can, w resources at command. Productivity theory of distrib.)

Mon: Rpt. equingnl principle. Answer questions.

- Not total satisfaction, but at mgn.

Pursue Willamette Valley. Mobility means equal treatment of individuals; & max. production. Theater seats.

As satisfactions hard to measure, ~~specify of value~~ use social e.g., msre by value.

- If we treat as valuable implies a measure, something to make commensurable.

Exch. value. ~~relative~~ Is there an absolute standard of value? Gold? Labor? Relative.

- Still, something underlies all. Things must be useful. ^{Human desires behind all.}

At least desired. ^{least to begin.} E.g., don't distinguish. -- accept human desires as are, at least to begin.

"Utility". Production, creatg "utilities": -- ie. ~~things of~~ value.

Again, not nec. salable. E.g. subsidizg munic. env. Not so.

Rwy creates values, very material - what kind? L.V. can't collect. them, but pay taxes / Now define production.

Assignment sheets
Grades - productivity principle, we follow here, not need

"Business" - what is it?

~~Business~~
~~Mobility~~

p 23-4

Evidently no one has told K & H about our system of free public educ. Here in Oregon, esp. good. I've bn to Harvard, Yale, & I feel confident telling you that you can do as well right here at U.O. - all a matter of work.

~~Capital~~

~~Distinguish physical cap. from paper claims.~~

~~Land. - K & H. inconsistent - ch. 28, whole chap. on rent of land.~~

~~So we'll distinguish land. Original substance of world
- all material universe - - - -~~

~~TV channels. Rivers. Ocean. Virgin timber.~~

~~Entrepreneurs - risk takers. Those who hold title to land & cap.~~

~~Income = output. 2 different ways of looking at it.~~

$\left. \begin{array}{l} \text{Labor} \\ \text{(Entrep)} \\ \text{Cap} \\ \text{Land} \\ \text{(Entrep?)} \end{array} \right\}$	$\left. \begin{array}{l} \text{Output} \end{array} \right\}$	$\left. \begin{array}{l} \text{Wages} \\ \text{Int.} \\ \text{Rent} \\ \text{(Profit)} \end{array} \right\}$
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Real & money inc.

Old timer, ~~10¢ an hour~~

got it too soft now.

worked all day 10¢

Young whippersnappers
Why, when I was a boy

$$\begin{array}{r} 217\cancel{1} \\ 113 \overline{) 245} \\ \underline{226} \\ 190 \\ \underline{113} \\ 770 \end{array}$$

1
Loose ends.

Ass. - ch. 2. Skip on p. 25. ~~p. 29, correct.~~ pp 28-9, Income;
p. 30-1. also ch. 1 - go over.

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Prt & social viewpoint - land

Social viewpoint, differences:

Land not produced. No problem of creating it. One fn. of ec. system is to provide incentives to create cap. Not land.

No cost of production to explain value - other goods, we say value = cost of production. Land, can't get away with it.

Fixed quantity.

Immobile.

As space, permanent.

Review.

To economize: treat as valuable.

Equi-mgnl principle: allocate limited resources most efficient way.
Which is when the last \$ - mgnl - you spend in each outlet
brings you some return, in satisfaction or
money profit, as last \$ spend for every
other outlet.

* Consumer & Producer goods:

Depends on how we.

Hard distinction. R.R. tracks. - passenger on vacation, consumer good;
on business, producer good. Expense acct, mix'g bus. & pleasure,
partly both.

So don't worry about clear line. Matter of degree. Imp., nonetheless,
- if used all land for pleasure, consumed all cap, starve.

Value is relative.

WAX Ec. deals with human desires. - reconciling them when they conflict.

Desire for leisure vs. desire to have things from working

Desire to have land for pleasure, vs. putting factories on it, & capital
i.e., we would like to have all goods be consumer goods.

Desires conflict. Must arbitrate ~~between~~ among them.

Here ec. comes in handy.

We have lots of absolutists - all must be one.

e.g. some conservationists. I'm a cons. myself,

but some of fellow-cons. go hog wild. Ducks, water, S.C.
 ... Those ducks paddling around on water worth thousands of \$s.
 - in terms of Lima beans.

Fri Review Money the common denom. - to reconcile desires, make commensurable
 Hear about ^{cold} soulless M. - "business, commercial" interests.
 But what makes it bring M to ~~to~~ ^{make} certain things? ...
 Warm, palpitating little human hearts ^{poorly female-} want them, &
 daddy is ready to buy.

✓ ~~When~~ (When hear someone criticizing economic decisions, chances are
 he's one whose personal judgements differ from mass.)
 Or, maybe speaking of non salable.

~~When~~ We reconcile these conflicts with equisingal principle.
 - use land for Lima beans more, & ducks less, until Lima beans price
 falls, & ducks go up, & it is sensible - ec. - to reserve land &
 water from Limas for ducks.

Production. What mean? ^{To produce} Do something useful. ~~Take~~
 Render services - cut hair, take out appendix. K&H. include with goods.
 More commonly, take some nat. resource & make it more valuable
 than before. Wheat, timber - work it up into something useful or
 at least desirable.

Elementary - ^{you say} I hope

But more to it.

Middlemen. ^{parasite? robber?} Class? - show of hands. ~~How many~~ Who says ~~Yes~~ "Yes"

ask one who raises ~~for~~ ~~that~~ why.

Let's formalize. "Utility" - quality ~~of~~ of being desired.

[Now I suppose ^{fellows} wonder if girls have utility.
 Get a good woman & settle down - she'll make you very happy & teach you to work hard!

Yes, very much so. In fact, some of earliest recorded ec.

activity was buying & selling wives. & in Belgium Congo just last year inflation, outrageous & in price of wives.

Well, we've done away with all that - emancipated women, & or rather they emancipated selves. & I suppose it's for best - at least I don't dare say otherwise. They inherit prop. ty now - & I've known some who could buy & sell you & me 3 or 4 times if they wanted

"Utility". Having utility, ^{to somebody} things derive exch. value - unless free by nature.

To produce, to create utility. - i.e. things of value.

Form, place, time, ownership. (probably should add

Form - most everyone agrees, productive.

Place - ^{if you'll listen carefully, can hear} whole transportation industry. CVP - Delta - Mendota canal. ~~if~~ ^{you can hear it right now}

One good has no value except place - what?

Time - tricky. Volunteer? Storage dam, reservoir. ^{lookout Pt.} Also have
 reservoirs in economy - inventories. Storage. Grain spec. - Harvest, flood ~~side~~ of food.
 Conservation - Timber spec. Telling wrong way. Birds & bees. Probably know more about drug stores than storage reservoirs.

Ownership utility. Who'll try that?

R.E. Brokers - commissions - just changing ownership of house from someone who ~~wants it~~ doesn't want it to someone who does. Lot of work.

Salesmen, all kinds. Shoe salesman - they tell me the ladies are worse in this than men - I won't know - but that's hard work

Socialists say that is mostly waste - not nec. in socialist economy. - cd. have all those people doing something useful.

Army

What think?

Leave it for you to mull over. (Bureaucracy)

→ Does not mean redistributing; nor appropriating, e.g. water rights.

→ Should add some -- e.g. to include services. Pretty strained to work them in.

→ Distribution - cutting pie.

2 principles: productivity; ~~equality~~
need. (& effort)

Now let's take a look at section of K & H. ~~we read~~. I'm sure you all read for today.

P.W. camp. P system. Rationed cons.; but only $\frac{1}{2}$ an ec. - no basic production.

p. 8. Making the pie; cutting the pie; saving some of the pie. (TV channels)

p. 12 Defines full empl. - don't bother.

p. 15 Voice of authority. Include K & H - & me. Think it out yourself.

201

Strictly, nothing is cons. good
until someone is enjoying it. - & house-
wife is still working when driving home from mkt.

For practical purposes, stat. msrments,
often take things designed to be soon
consumed for pleasure, call them
'cons. goods' - ok, one of the
many compromises we must make
for practical msrmt.

Durable vs perishable - not quite
same. -- e.g. land may be used for
pleasure, tho completely durable.

What you've consumed is annual produce
of land. If you'd used it for factory,
wd. use it to produce other goods. Over

So basic distinction is:

Is good used to provide direct satisfactions?; or produce more wealth?

(Nat. Parks e.g.)

A 2d imp. distinction, durables vs perishable. -- a matter of degree. Tends to be confused with other, but differs.

Productiveness of ec. depends on both:

- a, Use exist'g assets for production, not direct pleasure.
- b. Produce durables, thus Δ assets.

We consume most of what produce immed.; & use most of assets for pleasure -- ~~or~~ or maybe c. $\frac{1}{2}$. Thus productive tools are a narrow margin, which we cd. augment. -- or diminish, by tax's incentives, Eng.

Summing up:

Review

satisfactions.

Ec. deals w. human desires, reconciling diff. ones, ^{arbitrate among extremists, diff. viewpoints.} maximizing total

To do that, q. msre them by common msre, exch. value

b. Balance them at mrgns, equimrgnt princ. Every decision, costs & benefits, move where benefits > costs, until equal.
Thus decide how to use resources.

Cons. & Producer goods.

~~Ec. behavior~~ One kind of decision so important, special mention.

Balance not just diff. productive uses of resources, but productive vs non-productive uses. -- More strictly, using for immediate pleasure vs. using to create future pleasures.

Producer vs consumer goods. We wd like to make all cons. goods. Send e.g., city 90% residence, many choice basis. Involves also question of capital formation. Y-C.

There, you see, have basis for scientific study of human behavior.

Have things can msre, observe in action.

Some object, reducing complex human to stat. ~~But~~

~~As price~~ True, we must pay a price for reduction coming on just one aspect of behavior, msig all that way. Remember limits.

But makes ec. intensely practical - can solve problems, Δ production.

Some pleasure improves body for later work. Other does not. Latter has dual purpose - pleasure plus future production. Rare is the man who likes everything that is good for him - so there is a group of goods consumed for sheer pleasure.

Then another group, partly pleasure, partly for future productivity. ^{or pleasure. If pleasure, so close to being cons. goods, why quibble? Even York benefits.} To some extent producer goods, if want to quibble. But as

practical matter, how do we know what goes on in another man's mind when he eats his spinach? Have to be arbitrary, call all food consumed for pleasure. Entirely matter of judgment. - room for extended debate on ea. indiv. item.

There are men who ~~never~~ consumed ^{very little} ~~much of anything~~ for pleasure, act as machines to store up wealth for wives, offspring.

But who are we to say what is 'pleasure', what not? We accept mkt judgements of what is vble. Leave indiv. problems to psychiatry. Concern selves with maximizing satisfactions, accordg to values expressed in mkt.

Why are you ex-st then? Why not sell beer?

Enjoy this more. I hope to ~~elevate~~ convince people that in working to use material resources to best common advantage, to distribute wealth equitably - not equally -, justly, is a great spiritual satisfaction, find no other way. - thus elevate tastes, new respect for learning.

~~Look over questions - you may meet them again on quiz~~

Chap. 2

~~K&H don't clearly distinguish physical assets from paper claims to them.~~

~~"Entrepreneurship" is a form of labor. One who owns capital.~~

Factors of Production

Labor. ~~Include housewives? You bet K&H. to contrary.~~

Capital - human products. - producer & consumer goods. Durable goods - w-in life span, whatever it is.

Land - nat. resources

Entrepreneurship (form of labor)

Labor. Mental? Housewives? ^{Most statisticians say no,} ~~K&H say no,~~ but a slur. & very misleading. Q. inc. of ~~the~~ farm vs city - & wonder why people don't move.

Unemployment: Seasonal - not bad. I am, & love it.

Frictional - analogy to physics, frictionless plane in ec. the perfect mkt.

Cyclical

(Chronic?)

Cause of high wages: productivity

Hours & productivity: employers have gradually learned might as well let men go home & sleep on their own time - - -

Maybe some day colleges will learn same of students.

What is Useful

K & F include services ^{work} & goods. / POW camp. ~~to go~~ - like what resources?

Re services & inv. - doesn't doctor have to invest in training etc.

A bit strained, must use imag, to fit all useful activity into form, place, time &

ownership utility. But can do it.

→ Creating pleasure in human mind, ultimate end & def.

Is ec. materialistic. But it does stress exchange, quid pro quo, thus leaves out what do

Define, explain each? Outstanding e.g.s?

✓ Is it useful to destroy things, "make work"? Obviously not directly. e.g. raising prices.

✓ → Redist. vs creation. Always coming up. - trying to get something for nothing. Not to Rob. Crime. May be indirectly, human society, state, vested, destruction budgets them. U.S. in war. Circulate M? Will see.

✓ → If cut tree, ship out, ~~to produce it~~ sell for \$100, to produce \$100?

Diff. subjects deal w same matter, from diff. viewpoint. e.g. behavior

not ec. or non-ec. All behavior can be interp. ecly.

Man walking ^{lifting weights} - deadmill & ^{loading truck} ~~man~~ ~~postman~~ walking sounds - same physically,

diff. ecly 2 men work on motor all day.

Discuss all 3 for a while, then settle down to 3d, 1st tm.

3 main parts of ec, now: 1. Allocating scarce means among competing ends.

2. Distributing

3. Det'g sum total of ec. activity. ~~Not XMA.~~

Again, 3 diff. views of same subject matter. Much overlap.

"Useful" - in somebody's opinion. Desired, wanted - as measured by M.

Not same as salable -- e.g. roads. How much in M?

Big problem in ^{society} ~~ec.~~, some of most useful things people do, get no M return for. - civic action, e.g. There, must depend on something besides M rewards.

Social viewpoint. Public issues. Hence very controversial.

Differ from bus. ad. They take structure of ec. for granted, talk about how indiv. can fit himself in. Ec., we study ec. order itself. - explain how it

"Deflate" - i.e., to cf. 1953 inc. vs earlier years,
take base year, call P level 100, figure present P level,
-- e.g. just heard CPI has gone up 139% since Korea - 1950.

1950, disposable personal inc \$2066
1953, 1st qtr, " " " 245, ~~rate of~~

Divide by 113, = \$2176

Capital Formation: Produce more than consume. Save.

"Net value added" - is output.

E.g. Oregon Lumber. Export. Have to subtract loss of
timber - what called in accounting? (depletion allowance)

Cost: Foregone gain

Labor + hy. of value - effort. NG - e.g. mechanic,
burned bearing.

Explicit & Implicit - "Business" - ^{about as abstract & indefinite a description as you could ask for.} break down, do "businesses" get
rent, int., & wages? When own own equipment? Yes.

Supply & Demand.

Raise the price, Δ supply, reduce demand.

Fundamental. Already have seen it, case of ducks vs
linus.

Fri, Apr. 2

Ec. is science of how resources are allocated. Or, as an art,
" " art " allocat'g res.s most efficiently.

E.g. between diff. fields.

Or between diff. points in time - K&H call problem of cons. Esp. imp't to engineer.

Also int-d in distribution - cutt'g pie. Who gets what, & why.

Early, we use productivity thy. - not need, or effort, or equality. But modify, accord'g to those last 3 norms. Use prod-ty thy bcs results in allocat'g res.s most efficiently.

~~Why~~ POW only $\frac{1}{2}$ an ec? Only allocated ^{finished products} ~~resources~~ after they arrived - didn't produce them, except in part.

What disting-s ec from other ~~scientific~~ social sciences? Not
subject matter: all deal w. people, interactions. Or physical science?
But point of view. Aspects w. which deal.

~~Ex~~ physical sciences? Ec also deals with material things. But diff. aspects. Drop of water. Chemist int.ed in H₂O, ratio, means of combo. Nuclear physicist in MC^2 . Optical scientist in index of refraction, clarity.

Biologist in cell life. Physicist in surface tension, weight, volume, speed of fall. Meteorologist in destination. etc etc.
Geologist in origin.

Ec. st also int.d. What aspect? Exch. value. That is our measure. Having a diff. aspect to consider, we natch have our own msre. all (material) things commensurable in terms of exch. value - the rates at which they exchange w. each other.

Value of commensurability: make decisions. E.g. Ducks vs limes. Weigh & balance on same scales. Bring individual judgements, which differ widely, under common measure.

Our ~~measure~~ common yardstick is M - but its value changes too.

No wonder ec. is so hard! Not 'til Einstein did physics encounter problem of rubber yardstick. Ec-sts started out w. it.

How deflate:

How ec. differ other soc. sci.? All deal w people, human behavior.

Diff. aspects. Ec., we evaluate behavior accord'g to value it creates or destroys -- a common aspect of all behavior.

E.g. man in church, saloon, bed, ball game, ... we just say he's at leisure, & consuming. Oversimplified? Sure - but we have to, if want to know how society works, study soc., pol. sci, hist. to deal w. intricate problems. Will find ec. is complicated enough as it is. But is simplest soc. sci. - hence has perhaps gotten farther, just as physics has gotten farther than biology; bcs physics take very simple & universal aspects of all matter, like mass, force, acc.

Sometimes is a distinction in ec., where none in some other science. E.g.
pound sand bags w wooden mallet; or pound watches & china; or drive
fence posts. Physics, all same. Ec., very diff.

Or 2 mechanics, good & bad.

How differ from B.A.?

Much in common — equipping useful w/in a factory, too.

Another characteristic:

Social viewpoint. Public issues. Controversial.

Bus Ad, take structure of ec. for granted, see how you fit in

Ec., study ec. order itself.

How firms - how diff. firms are integrated in whole ec. system.

Why breaks down

✓ How improve, maintain.

For that get Hell ... both sides.

Left, hi priest, bell book candle incense

Right, meddlers

Makes us feel good - nobody kicks a dead dog.

Some ecsts deserve it. But ...

E.g. of diff. - attitude toward land.

~~output.~~

Is ec behavior when you're working for a living; otherwise non-ec?

No - when not working for living, are probly consuming, certainly imp. in ec.

Too, do most useful things when not working for pay --- organizing society.
Most useful thing we do - what lifts humans above other species,
ability to org. society.

To be sure, hi % of that org. is unconscious, thru ec. -
free ec. is a way to org society, much of it.

But basic framework from voluntary, unpaid effort

Is useful? Productive? You bet - most productive thing
we do.

Is what you & I are beginning to do right now
(Much else, too ... college alumni etc)

This branch of ec we leave to pol.-sci. But wd. mention it.

We gushy talk of creatg values you msre directly. Not always -
non-salable ben.s.

Some common misconceptions:

1. Is "ec" & "non-ec" behavior.

All behavior has ec. aspect. We divide it into leisure, & production.

During leisure, you consume - certainly imp-t.

2. Does ec. only deal with values you can buy & sell?

No. Non-salable benefits. Public service, unrequited. - pol. sci.

3. Is ec. cold, heartless, at war w. human desires?

It is desire that makes things valuable. Ultimate value basis is pleasure in human mind.

Hope you will find ex. interesting.

To me, most interesting.

Human beings, desires, satisfying them
causes of human welfare & opulence, &
" " " misery & poverty.

War & Peace

Boom & Bust

Price of ice cream & theatre tickets.

One man I knew had an answer.

Economics is the cause of war

" . . . poverty

depression

misery

.. .. 1 —————

Wait a minute. I have

the solution. Let's abolish econ

~~Some~~ Some students feel same way.

But we can't abolish — we didn't create. Results from
fact we don't live in Garden of Eden

So ^{let's} UNDERSTAND ECON.

Now I cd tell you how understand'g ex. helps you get ahead in world, but less imp. —————

Will return to utilities. (Quality of being desired)

Define Ec.

POW ec - what left out?

Concerns 2 things.

How to put existing resources to best use.

a. ~~How to ^{produce} ~~make~~ most of what we have.~~ Allocate.

b. " " distribute what we ~~have~~ produce & have. Cut pie.

→

Distinguish "allocate" & "distribute": & why POW only $\frac{1}{2}$
What's econ.

(POW exchange was allocating) (& only a small part of it)

So happens we have bn so poor at putting resources to best use, some have no use at all - unemployed (not just labor). So a whole subhead

of "a" grown up, studies aggregate ec. activity. ~~Mighty simple it~~

~~"How to increase"~~ Has grown mightily. - many call it indep. field in own right - employment study. K & H say "full empl." ^{- skip their def.} ~~it keep~~

involves keep'g in best use - very true. So not sep.

d.

For introducing econ. — or production econ.

"Efficiency", def-n of. (Ask class to define, have a little discussion, come to ~~conclude~~ a, MP = cost, for ~~plant~~ firm.
b, = mgmt, for one resource, most efficient.
c. Dim. returns, is clearly implied.

Mechanics:

$$\frac{\text{Output}}{\text{Input}}$$

Always < 1

Considering only input of fuel, not cost of machine etc.

In econ, wd. always go broke on that basis. Ec. must get ~~output~~ ^{output} $>$ input. Most efficient use is max. $\frac{\text{output}}{\text{input}}$

But rephrase it a little: $\frac{\text{Output from given resources}}{\text{Max. possible} \dots \dots \dots} = \text{effic.}$

That's really what scientist means by "input" — the max. possible output from input
How get that? Max possible?

Given techn., = mgmt princ.

But remember, we want to use all resources efficiently —
* don't stop w. efficiency of just one machine.

By Δ g efficiency of fuel, is cost $>$ benefit? If so, are reducing over all effic.

Where's max eff.? Where have expended each resource just as far as ben $>$ cost & no farther.

How achieve? Expended each to MP = Cost.

Efficiency for what? How more output? Input?

\$ a good start (in peacetime)

Remember it learns out much. Best things in life are free? Love, friendship --- even there, you invest yr time & energy for return.

Non-salables...

B&C, Part I: Productivity, Income, & Wealth.

ch. 2 Wealth & Income

Stock & flow.

Wealth is

- Natural
- Capital, man-made

$$\text{Income} = \text{Gross output} - \text{depr. \& depl.} - \Delta \text{inventories}$$

(B&C forget depletion, p 17) (But so do N.P. analysts)

$$\text{Inc} = \text{output}$$

Wealth is mostly not kind that satisfies human wants directly

Here uses land - not true of all land tho.

Wealth mainly "imptnt" as ~~\$~~ one factor det'g income.

Real vs M income.

Define N.P.

Means output.

Problems

- What include?

Good will? Hsures? Implicit residence? Pleasure from sports?

- How more deprec.?

Obsolescence?

- Money price makes commensurable

But in of's diff yrs, must have p. index. How weight, when relative p change? (who cares?)

Difficulties quality changes; new products.
But so what? So is hard to msnr N.P., &

intertemporal cfsions of dubious meaning.

Not worth much sweat. (Were it not for CP? wage contracts)

HOW TO BE EFFICIENT, WITH FEWER VIOLINS

The following is the report of a Work Study Engineer—a specialist in Method Engineering—after a visit to a symphony concert at the Royal Festival Hall in London:

FOR considerable periods the four oboe players had nothing to do. The number should be reduced and the work spread more evenly over the whole of the concert, thus eliminating peaks of activity.

All the twelve violins were playing identical notes; this seems unnecessary duplication. The staff of this section should be drastically cut. If a larger volume of sound is required, it could be obtained by electronic apparatus.

Much effort was absorbed in the playing of demi-semi-quavers; this seems to be an unnecessary refinement. It is recommended that all notes should be rounded up to the nearest semi-quaver. If this were done it would be possible to use trainees and lower-grade operatives more extensively.

There seems to be too much repetition of some musical passages. Scores should be drastically

pruned. No useful purpose is served by repeating on the horns a passage which has already been handled by the strings. It is estimated that if all redundant passages were eliminated the whole concert time of two hours could be reduced to twenty minutes and there would be no need for an intermission.

The conductor agrees generally with these recommendations, but expressed the opinion that there might be some falling off in box-office receipts. In that unlikely event it should be possible to close sections of the auditorium entirely, with a consequential saving of overhead expenses, lighting, attendance, etc. If the worst came to the worst, the whole thing could be abandoned and the public could go to the Albert Hall instead.

—Anonymous memorandum
circulating in London, 1955.

Harpers, 6-55, p. 31

child-study books call them—but they exist in disturbingly vast numbers. Authorities estimate that half of our pre-school youngsters enjoy (if that is the word) the exclusive attentions of one or more of the monsters. In the United States alone, then, there must be over *ten million* of them going daily, about their odd affairs.

Despite their prevalence, shockingly little is known about them. Indeed, I have found nothing in the way of collated material on the species that compares with even my own casual collection of individual dossiers. Several of these are appended here, in the hope that they may help stimulate interest in a thorough and comprehensive fact-finding study.

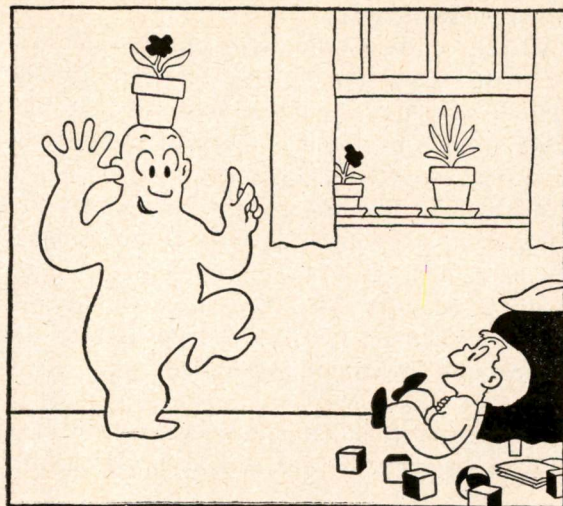
MRS. BIRDFEATHER

IN HER playroom at Hicksville, New York, Glenda D. has been observing almost daily for six months a "Mrs. Birdfeather" energetically "making things." Glenda states that all the furnishings of the room are the work of Mrs. Birdfeather and that they were made with nothing but a needle and a bit of thread. "The thread is worsted thread," Glenda points out with a significance that so far has eluded investigators. Skeptical, naturally, when apprised of

nothing has been learned about the industrious creature's personal life except that she lives with her parents in a lovely house the family constructed together; that her mother, too, is known as Mrs. Birdfeather; and that her father also goes by the name of Mrs. Birdfeather.

THE GREAT YAFETY

YAFTY is the funniest thing I ever saw in my whole life," declares thirty-nine-months-old Walter P. from his Philadelphia home, where



To take action, public needs info., & coherent thought. Ec-st provides these.

E.g., a few news columns re lung cancer reduced cig. prod-n, & doubled filter tips output.

Disclosure of Neff's \$2,500 offer to Sen. Case brought veto of nat. gas bill