PAPM Winter Review 2013

1) What is the State according to Aristotle

- Man= political beings (only through political involvement can he be happy)
- A state is a community of people living in harmony (happy, good wealth)
- A state is like a body composed of many individuals (Functions like body parts)
    - Will not function if there is seclusion, isolation and division
    - State keeps it citizens under control (Justice is the bond of men in states)
- No state= dangerous (doesn't follow laws, danger to anyone and himself)

2) Distinguish between the art of household management (oikonomia) and the art Of getting wealth according to Aristotle?

Oikonomia: Art of managing the household: The tools of getting wealth to meet subsistence

Household Management (How it is composed)

Relationship between people (hierarchy: slaves, patriarchs) responsibilities for each

1) Marriage Relation: Husband and Wife
2) Procreation relations: Husband and kids
3) Master and servant

- Freeman will have more rights and freedom (it's natural for men to have power over people, ex: owner over slave)
- Same idea: Nature decided to rule in a household.

Art of getting wealth: the instruments to obtain wealth

- "There is another variety of the art of acquisition which is commonly and rightly called an art of wealth-getting, and has in fact suggested the notion that riches and property have no limit"
- Wealth can be unlimited, can be used for personal pleasures by people
- Ownership of objects not wealth (overproduction in states = not valuable)
- If you keep accumulating wealth just for sake then you are wasting your time

- People's who's job it is to accumulate $$: meta-oikos
- Live separate from the community
    - Should be avoided because accumulation for the sake of accumulation is the worst thing that can happen to the state (should get enough money for good life, not waste time)

3) Explain the difference between use-value and exchange value (Water VS Diamonds)

Use Value: defined by how useful the good is for you (determine price/worth) Measure with utils

Exchange Value: the ratio of how much of that commodity could one get in exchange for a given amount of some other commodity or commodities

- Defines the price of exchange
- Scarcity also influences value of goods

4) What is the "just price" according to scholastic thinkers?

- Exchange is personal relation between two people
- Price in the exchange is the result of power
- Need to find justice in econ exchange (No abuse of prices of econ goods to exploit people)
- JUST PRICE= corresponding to social need
    - Only applies for commodities necessary for life (corn)
- Money is STERILE (usury not cool, $$ can't create value) Thomas Aquinas
- Price should be based upon use rather than price value
- Buying and selling seem to be established for the common advantage of both parties, one of whom requires that which belongs to the other, and vice versa, as the Philosopher states
- Social good: Fair price, natural price where everyone is benefiting from it, no one exploited

5) According to Mercantilists, why do we need a positive trade balance? (Mun and Monchrestien)

- Only a limited amount of riches in world (precious metals: gold, silver)
- Therefore everything must be for the accumulation of these metals (econ/military power)
- Need to accumulate wealth in peace time to increase the nations capability during war time
- Less importation and more exports in order to gain positive trade balance
- Sell at high prices (no competition) and when there is, sell at lowest price to kick comp out
    - Essentially trying to have monopoly (it worked because there was centralized econ)
    - Trade can only be beneficial if the balance of trade is in your favour
- Use all possible economic means to increase national political power (British with East India Company and Tea)
- Use all possible political means (trade regulations, etc) to increase national economic power

6) Explain the three cardinal values of liberalism (Liberty, Equality, Property), and Explain how they remain central to the organization of State and Society even today.

<u>Liberty:</u> You have the will to do whatever you want (laissez-faire)

- VIP part of the State and society because it shows that you have a responsibility
- Can make any decisions you want without govt enforcing its rules or regulations on you

<u>Equality:</u> Opportunities and equality before the law (collect fruits of own labour)

<u>Property</u> : Capacity to exclude people from your stuff (a right: judicial regime)

- Primary property is your life, exchange of goods= exchanging your rights
- Central to the state and society because it's the grounding principles of capitalism
- Example: Charter of Rights and Freedoms and the American Constitution
- John Locke: Mix labour= YOURS, primary property is life (slavery= bad)
    - God given right to have your own property (have right to defend yourself)

7) Explain how the social division of labour is the matrix of econ progress for Smith.

- Division of tasks amongst workmen (more efficient if focus on ONE task) Henry Ford
- Specialize: good at making bananas vs apples, you make bananas someone else does apples
- Represents economic progress - learn more about your individual specialization

1) Increase ability with socialization
2) Reduction of idle time
3) Technological innovation
- Productivity increased, price of product decreased= more purchasing power= increased demand which increases supply
    - Extends market (improving lines of communication= ^ social division of labour)
- Market price will gravitate towards the natural price (right soc. institutions to arrive to it)
- You give everyone maximum liberty (self-interest) and still obtain optimal social outcomes

Disadvantage: could be if the community is specialized in one product, it depends entirely on that product and if that product were to become obsolete, there would be an economic disaster

8) What is the invisible hand according to Adam Smith?
- The idea that you are naturally pushed by this supernatural force (through natural liberty)
- existence of an equilibrium
- Decides demand and consumption of specific product without govt intervention
- Will accidentally attain maximum level of production (socially beneficial outcome)
- This creates a fair equilibrium market price for each good and service
- Butcher, Brewer, Baker (not from benevolence but their self-interest that we expect our dinner)

9) Explain the difference between Smith's and Ricardo's labour theory of value.
<u>Smith's labour theory of value</u>
- Value of product must depends human labour and exchange value
    - (How long it take to kill) beaver pelt exchange value for specific number of deer
- Labour would be a standard value (all commodities can be estimated and assigned a value)
- 3 components: rent, wages, prices (thought they were three different parts that didn't affect another like rent was found through social optimum level of rent, wages and prices too)

<u>Ricardo's (modified) labour theory of value</u>
- Ricardo argues that Smith's theory of value would only work in subsistent economic structures
- Value of a product depends on how much labour and time you put in to produce it
- Processes to produce the product are counted in (transportation, ingredients, rent)
- Ricardo believed that not only does the value of a product depend on human labour but also on all the other steps taken to produce it an sell it (cost of materials, transportation, wages)
    - Rice and wheat same 5 hours of labour, wheat more $$ (fermentation)
- Ricardo says: "it is the comparative quantity of commodities which labour will produce, that determines their present or past relative value, and not the comparative quantities of commodities, which are given to the labourer in exchange for his labour."
- Falling rate of profit (explained later)

10) Explain the distribution of wealth according to David Ricardo.
- Riccardo believed that the distribution of wealth is composed of wages and capital

- There are many divisions of wealth amongst different people and states divided into
    1) Profit: owner/ capitalist
    2) Wages: paid to the labourers
    3) Rent: paid to landlord(Rent theory)
- Make sure you specify how much land being used to show the distribution of wealth
    - Ex: Use all lands= no profit left for anyone

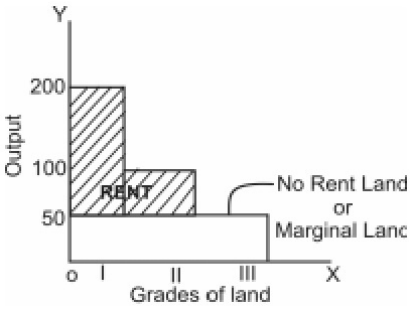
11) Explain why there is a falling rate of profit according to Marx and Ricardo?

Marx – Falling rate of profit

- Falling rate of profit happens when new producers enter the market
- Accumulation of capital (development of productive forces will eventually get more expensive)
    - But need to respect laws of capitalism to stay relevant in market
- Surplus value = profit according to Marx
- The rate of profit continuously falls because capitalists buy machinery so constant/fixed capital in order to diminish costs but surplus value is created through variable costs which is from labor
- Thus a cycle is created, to reduce costs capitalists buy constant capital which then reduces the rate of profit even as the overall profit increases

Ricardo Falling rate of profit

- Happens when the wages paid to the workers goes up
- R = (Income – outlays) / Outlays = [y = (w - K)]/ (w+ K)
- More you produce the more the profit falls (competion= level of profit becomes balanced)
- Can prevent the falling rate of profits: free trade, innovation or substitutions
- production step function for RISING RENT= No money left



12) Why is the human condition not improving according to Thomas Robert Malthus, and why should we not try to improve it by having the State helping poor people?

Malthusiuan Dilemma: Population growth and its effects on the food production

- Divisions of wealth amongst different people and states
- Species have limits to growth (more offspring but no land or food= controlled population)
- Places in world: higher death rates than birth rates (more offspring and population doubles)
- Population increases exponentially and food arithmetically
- Impossible to quadruple the quantity of food because lack of resources or land
    - Preventative checks: Moral restraint (later pregnancy, condoms) humans are rational
    - Destructive checks: Vice and misery (War, hunger, famine)

- Need to impose hell on earth (working hard) to get people to live right (Only virtuous can dine)
- State shouldn't help those who are suffering because it's expected and maybe their deaths will improve society (less people to deal with)

13) For Robert Owen, the main error of philosophers is to think that men are responsible for their action. Explain.

- Owen believed free will doesn't exist= not responsible for their own actions
    - Human nature is a product of its environment (Social Milieu) creatures of circumstance
- People tend to adapt to their environment but behaviour is affected by their environment
- Teach cooperation rather than selfishness make sure that people live in a healthy environment
- Capitalist make money by keeping people in terrible conditions
- Early education/ nurture to improve community by teaching people good morals
- Social institutions are the determining factors for individuals (University, School)
- In Victorian England, the social institutions were bad, making people miserable

14) Explain Marx's critique of economic reality. What is commodity fetishism?

Commodity Fetishism: Representation of capitalism affecting the way people interact due to social class differences and reflected through commodities (Social hierarchy based on wealth)
- People are more focused on attaining commodities for personal gain rather than focusing on the production of the commodities themselves
- Commodities can be products but also labour that workers are selling to capitalists
- Value of the person related to their paycheque, based on the amount of money you can make
- Rich people are good because they are rich, they have "done more for society"

Marx's Critique of economic reality
- Against wealth class, always a class struggle between the ruling class and the working class
- Capitalism exploits workers, always wanting to make profit out of their worker's labour
- Nothing natural about economy (created through violence and conquer= not right) Exploiters

15) Based on Marx's concept of surplus-value, explain why workers are dispossessed and alienated while the liberal credo (Liberty, Equality, and Property) is being respected.

- Two different types of capital: Constant and Variable capital
    - Constant capital (Technology): tools, machines, dead materials, raw products
    - Variable capital (Humans): labour power that the capital purchased from the workers
- Invented the equation s/v in order to explain the surplus of labour
- Workers are being dispossessed and alienated under cardinal values because we respect values and workers are being exploited systematically
- Capitalists own means of production and you can't make anything unless you find these ppl
    - every man for himself (so naturally you want high profits)
- Development of science/tech need more expensive machines to work
    - We live in an industry of industrial arts it takes less time to do stuff= less value
    - Increase importance of the means of production in order to put one worker to work (instead of giving a shovel that costs 3h, you give new shovel that costs 6h)
- In order to get the same surplus value, you need more expensive means of production
- In time falling rate of profit will be 0 and capitalism will be impossible

- Workers are forced to sell labour power to capitalists in order to receive means of subsistence.
- Capitalists are not exploiting workers, workers are receiving the wages that they should.
-Capitalists are exploiting work day and production process, there is no exploitation because there is equality, every worker is recieving their value.
-Retaining liberty because their labour power is controled, they choose to sell labour to capitalist

Marx's (Ricardo also thought this) theory on the value of a worker is that his values is the money he needs in order to exist, what can otherwise be called his subsistence wage
workers can only ask for a wage that is their due, or an amount that represents their value. the amount of work hours that it takes to obtain a subsistence wage may however be less than a typical "full" workday. this is the creation of what Marx calls surplus labour.

16) According to Friedrich List: "Between each individual and entire humanity, However, stands THE NATION". Explain what it means and why it changes the Way that Political Economy should be organized.

- Classical poli econ treated the world like people were individuals
    - Reality: world operates in different political identities like nations
- Each nation at a different developing stages (agriculture vs manufacture, industrial technology)
- Ignoring the state leads classical political economists to faulty conclusions (free trade)
- We have to be more domestic less importation to increase domestic investment
- National and cultural identity in order to become more developed (unity and harmony btwn ppl)
- Develop infrastructure (utopian socialism: humans good but corrupt my institutions)

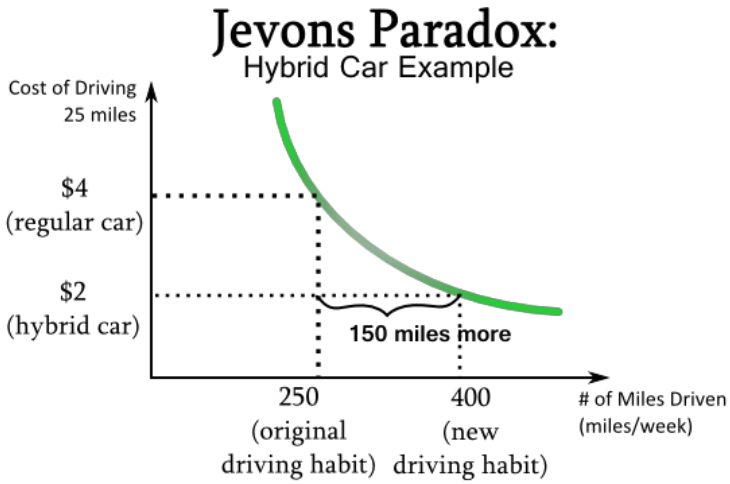
<u>Political economy should be organised</u>

- Nations must develop so it can help economy become mature
- Individuals are part of the nation and are ready to make sacrifices (acts as the buffer)
- There should be public economy and not a private one
- Productive forces – autonomy of the nation
- "It is the task of national economy to accomplish the economic development of the nation, and to prepare it for admission into the universal society of future"

17) Explain the difference between the Marginalist theory of value and the labour Theory of value.

<u>Marginalist theory of value (Jevons)</u>: Value is what you can do with it

- Value can change depending on Scarcity (more valuable) or abundance (less valuable)
- Ex. Diamonds vs. Water
- Measured in utils (in graph it's miles)
- Utils and quantity of the product are negatively related
    - The more you have of product, the lower the utils are
    - The price of a product depends on its final value
    - The price of the product depends on how much the last produced product was sold



Labour theory of value (Ricardo and Marx)
- The value of a product can go up if the amount of labour needed to produce it goes up
- Anything that remains after the cost of production and rent is considered a profit (Ricardo)
- The rate of surplus according to Marx dictates how many hours the labourer must work in order to make profit for the capitalist
- The difference between labor and labor power was clearly the source of surplus value
- Surplus value is composed of profits, interests and rents
- According to Marx: " All forms of capital that did not employ workers who created surplus value by providing surplus labour were merely parasitic"

18) What are the normative foundations of neoclassical economics? What is the Normative that this approach is tackling and why is the market should be a good Way to solve this problem?

Normative: how the world should be (Perfect competition and all actors should be rational)
- There should be public choice in order to have self-interest and to be efficient
- The idea of having laws and regulation forces people to work for everybody's interest and to be considered a community

- Lockean individualism to an extreme, everyone has their own specific utility, invisible hand, if everyone goes for their own individual needs, they will contribute to the community and state
- Market= good way to solve this problem because markets represent what the social optimum
- If someone is willing to pay more for something, they have a higher need for it

19) What are the characteristics and hypothesis of neoclassical economics?

Characteristics and Hypothesis (Marshall [demand, Jevons)
- Individuals maximize utility and the firms maximize profit
- Humans are rational and choose the best options that give them a personal
- people tend to act independently on the basis of full and relevant information

They used for an economical approach to calculate the market outcome (prices, outcomes, input an incomes) through demand and supply
- Classical political economy becomes a tool
- The rate of profit depends on what your market needs
- Capital transmits its value in the final product
- For circulating capital value is immediately affected by wage changes
- The also talked about utils and how the more a product you consume the less the utils are

20) What is a commodity according to neoclassical economists?
- Commodities are products that have a specific price, demand and quantity supplied
- Marketable item produced to satisfy wants or needs (Goods, services)
- Production of a commodity depends on the quantity supplied and quantity demanded
- In neoclassical economics, the value of an object or service is often seen as nothing but the price it would bring in an open and competitive market. This is determined primarily by the demand for the object relative to supply

***2*1) How individuals maximize their utility according to neoclassical economics?**
- Need to increase the number of substitution for certain products (Jevons) pepsi vs coke
- Trade-offs and exchanges of commodities: people have different strengths and budgets
- Consumers maximize utility when the ratio of marginal utility to the purchase price is the same for all goods and services produced.
- Disutility of labour: Picking strawberries, at first it is fun, but eventually you get tired of it, stops but is equalizing the amount of berries you get versus the misery you receive from getting the berries, stop at the point where his lack of interest equaled the amount of berries.

22) Explain the equilibrium of normal supply and demand according to Alfred Marshall?
- Equilibrium of supply and demand happens when S&D equal at a specific quantity and price
- Consumers and suppliers agree that a product should be sold at specific price and quantity
- Marginal Disutility of labour is the supply curve
- Marginal Utility of Product is demand curve

23) What is Pareto optimality?
- Nobody could be made better off without somebody being worse off
- “The neoclassical version of this claim is embodied in the so-called fundamental theorems of welfare economics, which assert that all perfectly competitive equilibrium are Pareto optimal, and all Pareto-optimal points are equilibrium of a perfectly competitive market under some initial distribution of goods.” (Brenan and Moehler)

24) According to Thorstein Veblen, why can we consider that profit-maximization might not entail maximizing social wealth?
- Profit maximization= conflict of interest between capitalists and the rest

    - Exploit workers (long hours, bad wages)
    - Exploit consumers (gullible, easily swayed)
    - Prey on the fact that we live lives through the life of others (maximize street cred)
- Private property destroys social wealth (competition between classes) no one work as team
- Finance was taking over industrial capitalism and turning it into an extractive rentier system
    - Exporting capital (investments etc) to benefit the country
- In order to have profit maximization, need more products (creates rifts btwn wealth classes)

25) Explain what is the capital of dominant corporations according to Thorstein Veblen.
- Capital= institutional power over the economy (big corporations buying out smaller companies)
- Businessmen= predation not production, want to exploit workers for higher earnings
- Corporations control market by deciding the price of G&S through a scarcity and abundance
- Develop national market (large areas in ONE area can supply stuff now)
    - Huge Econ of scale and increasing returns
    - Need to be able to contain the industry- so massively productive (trust, holdings)
- Create massively new needs to try and make more money (advertising)

26) Why shouldn't economists separate economics from politics according to John Kenneth Galbraith?
- Economics is insufficiently normative
- Govts start changing policies to match the needs and wants of corportaions
- Govts should be responsible in stimulating the economy and instituting a planning system
- Govts should intervene in the econ when: unemployment, inflation and corporate monopolies

27) According to John Maynard Keynes, why should the State intervene in the economy (fine-tuning and beyond)?
- Because, in long run - we all dead.
- In order to get full employment if we want the markets to become efficient
- People do not operate on cost-benefit analysis (predict an econ crisis, it really happens)
- Keynes states Psychological variables:
    - Liquidity preferences: People want to have money for the sake of having it
    - Marginal propensity to consume: Rich people
    - Marginal efficiency of capital: Don't invest in RIM because shares go down

How to fix:
- Govt creates jobs by investing in infrastructure (need to kickstart economy)
- Stimulate econ with fiscal and monetary policies (inflation rate, investment rate, bonds, MS)
- Should focus on the NOW (short term economics) to alleviate unemployment, S&D
- Communal saving to allow capital at good level as long as govt helps bears
    - State should exercise influence on propensity to consume (change effective demand)
    - More companies ready to invest and employ (anticipate they can sell and make profit)

28) What is involuntary unemployment?

- Wants job but unemployed and would be willing to work for lower wage than a current worker
- Structural, cyclical, frictional unemployment
- No choice to be unemployed, no jobs
- JMK called for govt intervention to fix (labour supply but no demand)
- a great powerpoint that explains all of this (www2.warwick.ac.uk/fac/soc/pais/people/brassett/.../**keynes**.ppt)

29) The neoliberal ideology is first and foremost an attack against the welfare state and Keynesian economics. Explain the contributions of Friedman, Stigler and Laffer.

Friedman: Counter revolution against neo-classical economists

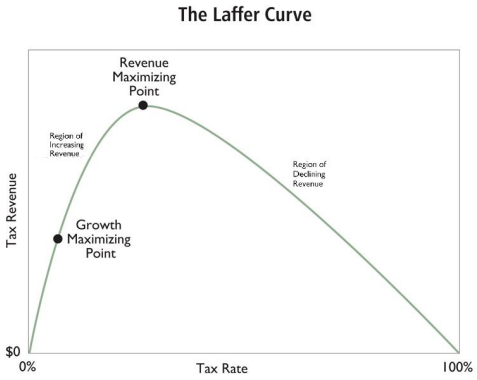
- Personal income based on how much people earn and make decisions
- Monetarism: the level of money supply increase price level (inflation= less purchase power)
    - Need to grow MS based on growth of GDP to prevent growth of inflation
    - Thought Keynes' monetary policy was shit (only hurts econ more)
- Natural rate of unemployment:
    - You can never reduce the rate of unemployment lower than the natural rate
    - If you do, you will have high inflation
    - To increase employment you should look at changing labor regulations:
        - minimum wage laws, unions, labor days

Stigler: Regulatory capture (monopoly firms not price takers)

- Model of competition doesn't work (dominant firms want is to maximize their market power)
    - Increase the barriers to market (more red tape= costly and time consuming)
- Self-regulation will allow consumers to make rational choices on reputation, trademark, (advertising= good to gain trust of consumers) AKA Reagonomics (take $$ from poor to invest)

Laffer: Laffer curve shows how increasing the tax rate leads to a decrease in personal income

- Savings determines investment (Marginal propensity to consume, people saving are not richer)
- Role of the state is to maximize economic growth
    - Don't take from the rich and give to the poor because the wealth will create employment
    - Taxing corporation= taxing job creators?! (Some of them keep $$ and lay off workers)



30) What is monetarism? Explain the economic policies inspired from this approach.

- Monetarism deals with money and the quantity produced (MV = PT)
- If you increase the quantity of money, then prices will go up and so will the inflation
- Friedman says: need to grow MS based on growth of GDP to prevent inflation
- JMK: Short-run can fix unemployment and increase productivity
    - LR: simply increase inflation (money have value because it's scarce)

31) How do we determine the optimal size of the firm according to Oliver Williamson?

- Market system that have agents to consume or produce (transaction costs)
- We determine the optimal size were Opportunity Cost= Transaction Cost= most optimal pt
- That's why there can be small companies that have reached optimal size compared to big companies that have reached optimal size
    - Since we can't calculate OC=TC, every business is technically the right size

32) Explain the evolution of capitalism according to Joseph Schumpeter.

- Capitalism promotes industrial evolution and economic change through innovation
- unlike Marx, Schumpeter believes that innovation / entrepreneur will destroy Capitalism
- Hipster capitalist: believed in old spirit of innovation with entrepreneurs instead of bureaucratic stiff collars who dominate market with walmarts

- Schumpeter says Capitalism will fail due to:
    - Innovation: intro new good, new method of production, open new market, More focus on the entrepreneurs who innovate, innovation effectively becomes more bureaucratized. The only thing fuelling business is the specialized teams, by rationalising innovation, it can kill capitalism.
- Walmart has no place for the individual
- Capitalism allows people to go to all these things that made them hate capitalism
    - Also conquest of new source of supply, new organization (new or break monopoly)
- PROBLEM : need econ resources for innovation that come from industries in eq'm economy
    - Innovation will not replace the old forms of production, it will just compliment it

- Walras: interactions between all markets and products can come together at a general eq'm

- At the EQ nothing happens next, it is the end point (only external forces can move it)
- No internal influences (no notion of evolution)
- Schumpeter argues that technology has an internal effect , which Walras ignored

Timeline of Economic Thinkers

Ancient economic thinking (-400 to 400)

- **Socrates:** Stuff like allegory of the cave to understand human nature
- Everyone was tied to someone (Slaves and masters, women/children to men)

Medieval economic thinking (400 to 1780)

- Merchant activity and technical innovation= bad (against God's will to negotiate and get rich)
- **St. Augustine**: importance of providence (don't build dam when flood) you don't own anything
- People should live in poverty because it was the will of God to suffer hell on earth to go heaven

Transformation in Medieval thinking: Scholasticism (1300-1780)

- Aristotle: Rediscover concept of nature and national laws (right/wrong) acceptable to laugh
    - Used to be rigid monks
- Thomas Aquinas: Theological Sum (summae theological) merges Augustine and Aristotle
- Nature is not dominated by supernatural, there are natural laws that exist (right from wrong)
- Embrace a more familiar concept of the world (private property okay, stays in better condition)
    - In the case of necessity you can steal other people's stuff (duty to charity)
- Condemnation of Usary: Interest= bad (selling time and time belongs to god)
    - Lending money= exploiting situtation of poor person
    - INVESTING= good (taking a risk, it's natural to get money in exchange if it works out)

Mercantilism: maximize growth and accumulation of wealth (1500-1780)

- Believed there was only a limited amount of riches in world (gold, silver)
- Thomas Mun: Accumulation of profit (balance of trade) more exports over imports
- Centralized economy to get most profit (monopolies)

Classical political economy (1780-1880)

- Known for their labour theory of values instead of general equilibrium
- John Stuart Mill: wrote principles of economy (first econ textbook)
    - Advocated for utilitarianism (also studied politics and econ through a scientific method)

- David Ricardo: Comparative advantage, Rent theory (falling rate of profit)
- Jean-Baptiste Say: wrote say's law
- Can never be a general deficiency of demand or a general glut of commodity in econ
- People produce things to fulfill their own wants, rather than those of others
- Production isn't a question of supply, but an indication of producers demanding goods.

- Robert Malthus: Malthusian dilemma (Food vs people) Preventative and destructive checks

Neoclassical economics: Marginalist Revolution (1880-2020)
Utility was the determinant of exchange value (water VS diamonds)
- Marshall: diminishing marginal utility, utility maximization through exchange (demand curve)
- Total cost= average total cost= marginal cost= marginal revenue> profit maximizing

- Stanley Jevons: Value depends on utility to person (water VS diamonds)
- Léon Walras: General Equilibrium (Supply and Demand to get most profit)
- Vilfredo Pareto: Pareto optimality (no one could be better off without making another worse)
- Carl Menger: Subjective theory of value (both sides gain from the exchange)
- Didn't believe that goods provide a measure of utils/ unit of utility but wrote that goods are valuable because they serve different uses whose importance differs
- Money develops because bartering system wouldn't work (you only have chairs to trade for table but guy who has table wants lamps) Money is therefore the most neutral?

Austrian School of Economics
Study of economic phenomena on interpretation and analysis of purposeful actions of individs
- Carl Menger: Also thought to be the founder of Austrian school of econ
- Friedrich Hayek: Changing prices communicate info and enables individs to coordinate plans

Depression and Reconstruction:
- JMK: Stimulate econ in short run (money supply, inflation etc)

Institutional Economics: "The American Way"
- J.K Galbraith: Giant firms had replaced small ones to the point where the perfectly competitive model no longer applied to much of the American economy
- Market power of large corporations, they become price MAKERS not TAKERS
- Power kept in check with unions

- Thorstein Veblen: Profit maximization= bad (rift btwn classes)
- Conspicuous consumption: displaying econ power through one's luxurious items

Entrepreneurism:
- Joseph Schumpeter: Business cycles, econ development, evolutionary economics