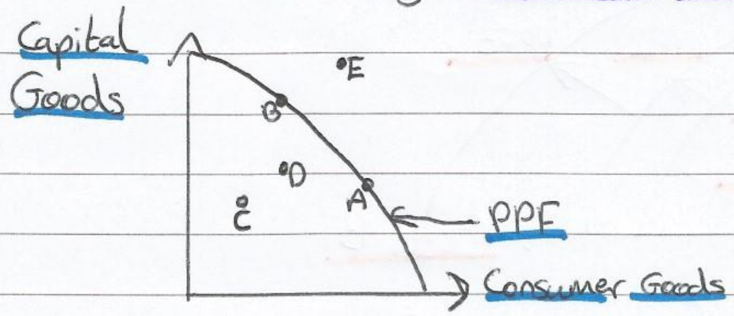
Production Possibility Frontier

Capital Goods = Things used by business (machinery, equipment)
Used to create more consumer goods in the future

Consumer Goods = Things Bought by consumers
Things consumed now.



A -> B = Less consumer goods now but more capital goods which means more consumer goods in the future

C = Less than the maximum possible produced without using all the resources. This is inefficient.
e.g. Resources not used = workers (unemployed)
land (unused)
shops (empty)
capacity (not working to it)

C -> D = Increasing efficency but not at the maximum possible production

In reality nations do not make the maximum possible production however, efficent nations get close.
e.g Britain when at war

E = The impossible as it would require more resources.
However, this can be achieved if resources are increased.

Economic Systems

Economic Systems depend on who answers the questions regarding the economic problem (what do we produce?, How do we produce? and For whom?), the government, the producers or the consumers.

This can be shown on an economic spectrum.

China, North Korea — Germany — UK — USA

Command Economy	Mixed Economy	Free Market Economy
↓		↓
A 'centrally planned' economy		A 'capitalist' economy
↓		↓
Communist		Dominated by Consumers and Producers
↓		
Dominated by Government		

In reality all economies are somewhere in the middle.

When moving right processes include:

Privitisation = selling state assets
Deregulation = Removing laws

When moving left processes include:

Nationalisation = Goverment ownership of Business'

Money and exchange

Specialisation leads to money and exchange.

Early economies were 'Barter' economies.

'Barter' economies = Goods swapped for Goods.

Problems with Barter economies

- Hard to reach agreement
  → different values of good.
- Relies on a Double coincidence of wants.

Double Coincidence of Wants = Two exchangers want to have same things.
→ very difficult to make happen
→ means people become more self reliant.

Money

More sophiscated societies need money

Money = Anything that is accepted as payment for goods and payment.

For money to work it needs to fulfill four ~~features~~. functions.

Name: Friedrich Hayek
Book: Road to Surfdom (1944)

Beliefs:
- Anti Government
- More government means less freedom (Tax)
- Anti totalitarianism (where government controls everything)
  → Led to Stalin's Soviet Union
  Hitler's Germany
- US and UK have inequality but
  → Poor better off than in Soviet Union
  - Have Freedom
- Wanted movement to Free Market

However

Poor needed → vote
→ influence
→ opportunity.