

Economics

**Unit Two: The Market System and Decision-Making**

January/February Dates

Topics	Problems	Vocabulary	Reading	Discussion	Videos and Tests
Marginal Analysis	What's wrong with this picture?	24 marginal cost/benefit opportunity cost tariff subsidy	25 Henry Hazlitt on taxation and government spending  EIOL 31-36	26 Evan and Barbara: Positive Claims and Poverty	27 Give & Take: "We Choose: Scarcity and Social Decision-Making"  PEPP 2 due
Allocation of Goods and Services	30 Graphing Supply and Demand	31 goods services law of supply law of demand equilibrium  DQ 2.1: Graph	1 Henry Hazlitt on the price system  EIOL 103-109	2 8 careers, 15-20 jobs: Charleton on the value of never growing up	3 Occupy Economics  DQ 2.2: Vocabulary  Journals 1 and 2 due
Review, Test	6 Review	7 Unit 2 Test	8	9	10 PEPP 3 due

EIOL= *Economics in One Lesson* by Henry Hazlitt (in-class reading, also available at [cvc.org](http://cvc.org))

Essential Questions:

1. How should marginal cost and marginal benefit impact decision-making?
2. Why must decision-making at all levels include an understanding of opportunity cost?
3. What is equilibrium price and why is it important in a market system?
4. What difficulties face government when it makes public decisions?
5. Can public works benefit society as much as private spending?
6. Evaluate Henry Hazlitt's claim that one occupation can expand only at the expense of all other occupations.
7. Why will you probably have several careers in your lifetime? How can you prepare yourself?
8. Why does a command system appeal to some Americans?
9. Has a shift toward immature behavior affected economic priorities?

<p>Tasks on Unit Two Test:            Define or explain all vocabulary terms            Respond to selected essential questions            Graph laws of supply and demand; locate equilibrium price</p>
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## Vocabulary

marginal—at the edges; over or below a set value

marginal cost—giving up a little

marginal benefit—gaining a little

opportunity cost—the value of the next best choice (the one you didn't choose)

goods—items, either grown, manufactured, or gathered

services—work done

law of supply—see graphs

law of demand—see graphs

equilibrium—where supply and demand meet (price)

### From the National Council on Economic Education: The Basic Concepts

1. **Scarcity**--Productive resources are limited. Therefore, people can not have all the goods and services they want; as a result, they must choose some things and give up others.
2. **Marginal Cost/Benefit**--Effective decision making requires comparing the additional costs of alternatives with the additional benefits. Most choices involve doing a little more or a little less of something: few choices are "all or nothing" decisions.
3. **Allocation of Goods and Services**--Different methods can be used to allocate goods and services. People acting individually or collectively through government, must choose which methods to use to allocate different kinds of goods and services.

Supply Curve Example: The Housing Market (Rental Apartments for Sale to Landlords)

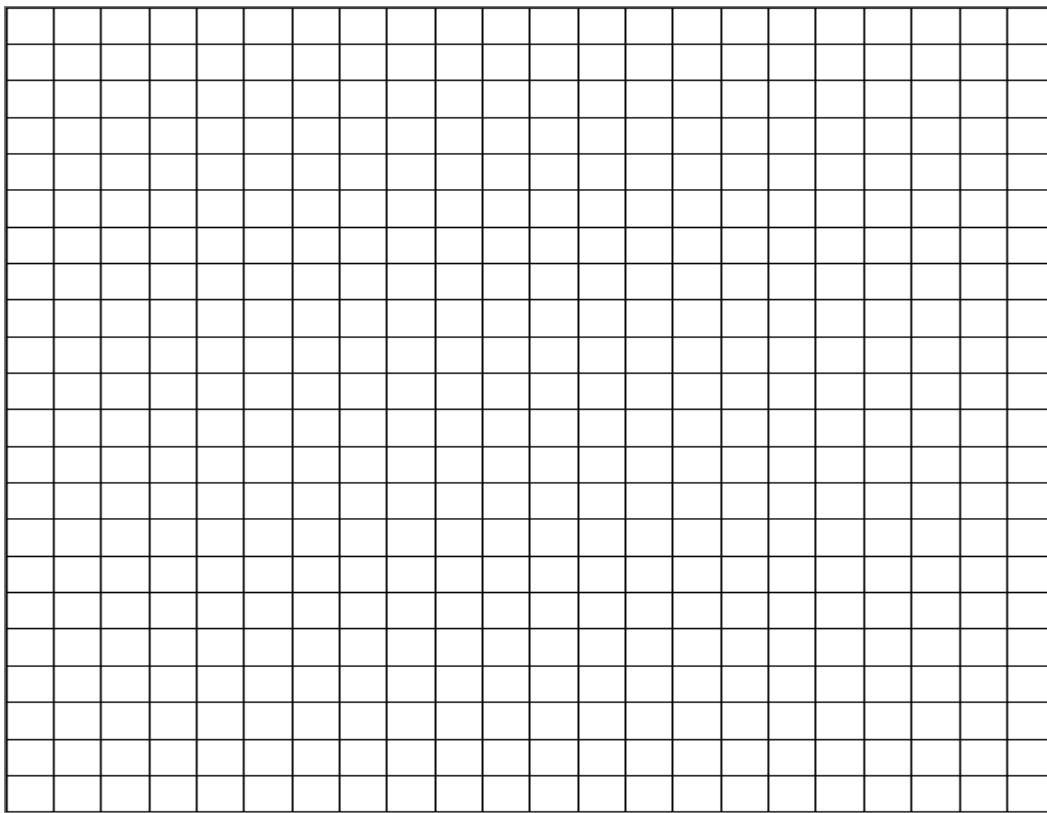
Supply Schedule: Apartments										
Price (in \$1000s)	100	99	98	97	96	95	94	93	92	91
Quantity Supplied	10	9	8	7	6	5	4	3	2	1

Demand Curve Example: The Housing Market (Rental Apartments Landlords May Buy)

Demand Schedule: Apartments										
Price (in \$1000s)	100	99	98	97	96	95	94	93	92	91
Quantity Demanded	0	1	2	3	4	5	6	7	8	9

Source: Global Development and Environment Institute's *Encyclopedia of Earth*

Graphing Practice



Economics Readings

***Economics in One Lesson* by Henry Hazlitt**

**Chapter 4: Public Works Mean Taxes**

Before you read: Knowing what you do of the forces behind the market system, do you trust those forces? Or is something additional needed?

1  
Faith in government spending

Fallacy: government spending is “a panacea [cure-all] for all our economic ills.”

- Mutually supportive “intricate \_\_\_\_\_ of fallacies” built upon this one
- “Everything we get, outside of the free gifts of nature, must in some way be \_\_\_\_\_.”
- “All government expenditures must eventually be paid out of the proceeds of \_\_\_\_\_.”
- “\_\_\_\_\_ itself is merely a form, and a particularly vicious form, of taxation.”

Necessary public works (remember Smith’s last paragraph in *Wealth of Nations*)

A Bridge: necessity or “project”?

- “Project” bridge: **Argument 1: it will provide \_\_\_\_\_**
- Response: “...for every public job created by the bridge project a \_\_\_\_\_ has been \_\_\_\_\_ somewhere else.”
- “Project” bridge: **Argument 2: it was created by the “magic” of \_\_\_\_\_.**
- Response: “[We who have trained ourselves] can see the unbuilt \_\_\_\_\_, the unmade \_\_\_\_\_ and \_\_\_\_\_, etc.
- “What has happened is merely that one thing has been \_\_\_\_\_ instead of \_\_\_\_\_.”

2

Other examples

Subsidized/low-income housing

“The jobs destroyed by the taxes for housing are not \_\_\_\_\_, nor are the \_\_\_\_\_ that were never made.”

Tennessee Valley Authority

“The thing so great that ‘private capital could not have built it’ has in fact been built by \_\_\_\_\_----the \_\_\_\_\_ that was expropriated in \_\_\_\_\_.”

3

“Under such circumstances it is highly improbable that the projects thought up by the bureaucrats will provide the same net addition to wealth and welfare, per dollar expended, as would have been provided by the taxpayers themselves, if they had been individually permitted to buy or have made what they themselves wanted, instead of being forced to surrender part of their earnings to the state.”

Reflection and response to reading:

Economics Readings

***Economics in One Lesson* by Henry Hazlitt**

**Chapter 15: How the Price System Works (Read pp. 103-109)**

1

“The fallacy of isolation”

Robinson Crusoe:

Swiss Family Robinson:

“One occupation can expand only\_\_\_\_\_.”

2

“Prices are fixed through the relationship of \_\_\_\_\_ and \_\_\_\_\_,  
and in turn affect \_\_\_\_\_ and \_\_\_\_\_.” (p. 105-106)

Price versus cost of production: why they tend to equal each other

The private enterprise (free market) system as a machine

Why only produce for profit? Why not supply needs through production, regardless of profit?

“Everything, in short, is produced at the expense of \_\_\_\_\_  
\_\_\_\_\_.” (p. 108)

Dying and growing industries

Demand/purchasing as “votes” reflecting the public’s interests

Consider: What is equilibrium price and why is it important in a market system?

Reflection and personal response to reading:

Economics Video

**We Choose: Scarcity and Social Decision-Making**

Step 1: Define the problem

Step 2: Identify alternatives

Step 3: Specify criteria you will use to evaluate alternatives

Step 4: Evaluate the alternatives

Step 5: Make a decision

South High's Decision:

	Safety	Nutrition	No Extra Money	Freedom
All stay				
Guards				
Some stay/ some go				

Your task: Help Joey! (Not with another milk shake, though...) What should South High do? Why?

Charlton BG. The rise of the boy-genius: psychological neoteny, science and modern life.  
*Medical Hypotheses*. 2006; 67: 679-81

## **The rise of the boy-genius: psychological-neoteny, science and modern life**

### ABSTRACT

The mid-twentieth century saw the rise of the boy-genius, probably because a personality type characterized by prolonged youthfulness is advantageous both in science and modern life generally. This is the evolution of 'psychological-neoteny', in which ever-more people retain for ever-longer the characteristic behaviours and attitudes of earlier developmental stages. Whereas traditional societies are characterized by initiation ceremonies marking the advent of adulthood, these have now dwindled and disappeared. In a psychological sense, some contemporary individuals never actually become adults. A child-like flexibility of attitudes, behaviours and knowledge is probably adaptive in modern society because people need repeatedly to change jobs, learn new skills, move to new places and make new friends. It seems that this adaptation is achieved by the expedient of postponing cognitive maturation – a process that could be termed psychological neoteny. ('Neoteny' refers to the biological phenomenon whereby development is delayed such that juvenile characteristics are retained into maturity.) Psychological neoteny is probably caused by the prolonged average duration of formal education, since students' minds are in a significant sense 'unfinished'. Since modern cultures favour cognitive flexibility, 'immature' people tend to thrive and succeed, and have set the tone of contemporary life: the greatest praise of an elderly person is to state that they retain the characteristics of youth. But the faults of youth are retained with well as its virtues: short attention span, sensation- and novelty-seeking, short cycles of arbitrary fashion and a sense of cultural shallowness. Nonetheless, as health gets better and cosmetic technologies improve, future humans may become somewhat like an axolotl – the cave-dwelling salamander which retains its larval form until death.

\* \* \*

The mid twentieth century saw the rise of mathematicians and physicists who looked and behaved in a markedly youthful style, and this boy-genius stereotype spread to include most other branches of science. My suspicion is that that a personality type characterized by prolonged youthfulness is advantageous not just in science, but in most areas of modern life due to its need for flexible specialization. We are witnessing the evolution of 'psychological-neoteny', in which ever-more people retain for ever-longer the characteristic behaviours and attitudes of earlier developmental stages.

Perhaps the most famous boy-genius was James Watson around the time he co-discovered DNA. Iconic is the famous 1953 publicity photograph of a gangly, shock-haired Watson gazing-up in wide-eyed wonder as a balding, middle-aged-looking Crick points at a big molecular model [1]. But surveying photos of the discoverers of molecular biology in Judson's *The eighth day of creation* [1] the reader sees a parade of youthful enthusiasts. What a contrast between the skinny, bespectacled Max Delbruck (who often wore short trousers) and Victorian images of the bearded-ancient Darwin or the mutton-chop whiskered TH Huxley.

In physics, too, there is a world of difference between the sage wisdom of Einstein and the perpetual youthfulness of his best-known successor Richard Feynman. And despite chronic illness, their popular heir Steven Hawkins even now retains a distinctly 'schoolboyish' quality. There are also boy-genius types among scientists like Bill Gates who have become both rich and powerful.

In science, medicine, and most of modern life there has been a powerful and progressive trend toward specialization [2]. Originally science arose by differentiating itself from philosophy, which budded-off theology. Then science broke into physics, chemistry and biology – which have super-specialized into many thousands of sub-disciplines. Consequently, the scientist stereotype has transformed from an omniscient sage, with encyclopaedic knowledge of his whole general subject area, who worked essentially alone; to the current scientific research situation comprising (mostly) teams of super-specialized whiz-kids each of whom know only what is necessary to solve the problem at hand.

It should also be noted in passing that the phrase 'boy-genius' must now be taken to include women – since in modern science the whiz-kids are quite frequently female. Traditional tribal and agricultural societies are

characterized by 'initiation ceremonies' marking very clear-cut transitions between the stages of life: especially the advent of formal adulthood [3]. Indeed, some traditional societies are 'gerontocracies' in which age accumulates prestige. But over recent decades in liberal democracies, these transitional ceremonies have dwindled in importance, and often disappeared altogether. The 'coming of age' now serves only as an excuse for a party. The reason is that, in an important psychological sense, some modern people never actually become adults – or, if they do, the process is delayed into late middle age when loss of youthful appearance and vitality becomes impossible to deny.

The timing of significant marker points of maturity – such as graduation from college, marriage, first child – which used-to occur at almost fixed ages, are in modern cultures stretched across a much larger time span than in the past, mainly by increasing delays in some individuals. This has been very obvious among educated people, where both marriage and childbearing now quite commonly occur over a span of more than two decades. With such a chronological spread of events, each individual's experience is now probably unique in its specific combination and timing of such significant events – which further erodes the predictable progress through formal stages of maturity characteristic of traditional societies.

The gradual diminution of initiation ceremonies and indefinite postponement of adopting a stable, integrated adult personality is no accident: these facts recognize that modern societies are characterized by a continual requirement, throughout life, for a child-like flexibility of attitudes, behaviours and knowledge [2, 4]. People need repeatedly to change jobs, to learn new skills and information, to move to new places and cultures, to make new friends – all of these are a cultural novelty for human animals evolved to cope with small hunter gatherer societies of just a few hundred people [1, 4]. Since mature adults have not evolved to manage these challenges, it seems that people have adapted by postponing their psychological maturation – a process that could be termed psychological neoteny.

The boy-genius can be seen as a specific instance of psychological neoteny which is apparently adaptive in modernizing cultures, and it occurred early in science because science is one of the most 'modern' and advanced social systems [2]. 'Neoteny' refers to the biological phenomenon whereby development is delayed such that juvenile characteristics are retained into maturity. It represents a relatively fast and simple way of evolving adaptations – for instance modern humans in Western Europe have evolved the ability for adults to digest dairy products (which were not a part of the hunter gatherer diet) by the simple method (presumably by a single gene mutation) of neotenuously perpetuating the activity of the milk sugar-digesting enzyme lactase from the breast-fed infant throughout mature life.

Probably, the main proximate cause of psychological neoteny in modernizing societies is the prolonged duration of formal education – which may be why the boy-genius arose in an American context where mass higher education and extended schooling was first established [5]. So long as a person is in formal education, or is open to the possibility of returning for more formal education, their minds are in a significant sense 'unfinished'. Perhaps this could be one reason why scientists so often strike other people as 'immature' in their manners and behaviour. Scientists need to be somewhat child-like in order to keep learning and developing. As mass higher education becomes a feature of all liberal democracies, and as the average number of years spent in formal education progressively increases [6], we may expect to accumulate ever-more chronologically middle-aged and elderly people who remain youthfully-minded.

Since modern cultures favour cognitive flexibility, such people tend to thrive and succeed and now set the tone of contemporary life. The biggest praise that can be given to an elderly person is that they have retained the characteristics of youth – not just a youthful appearance, but also the youthful vitality and drive. The modern exemplary geriatric should continue to compete for high status, remain actively interested in love and sex, show themselves adaptive to change, and continually seek new experiences and challenges. Because such attributes are highly valued, they seem to have become much more common.

But of course there is a downside to psychological neoteny, in that the faults of youth are retained as well as its virtues. Modern society is characterized by a short attention span, frenetic sensation- and novelty-seeking, ever-shorter cycles of arbitrary fashion, and (so cultural intellectuals would argue) a pervasive emotional and spiritual shallowness. There are a lot of divorces and broken families. Modern people – it

seems fair to say – also lack a profundity of character which seemed commoner in the past. The personality difference between Einstein and Feynman shows this clearly: Einstein had a mature and harmonious personality of great wisdom [7]; while Feynman was vital, protean, witty and life-enhancing - but he was certainly not a sage, and was quicksilver-clever rather than deeply wise [8].

I would expect that this trend to maintain flexible immaturity through adulthood will continue. Psychological neoteny will be matched by perpetuation of youthful appearance: partly natural due to improved health and social conditions, and partly artificial due to continued advance in cosmetic technologies. In future, the most successfully adapted humans may become something like the axolotl – a cave-dwelling salamander which retains its larval form through sexual maturity and until death.

But even as whiz-kids dominate mainstream culture, the popularity in modern societies of traditional sources of insight and integration – from Rembrandt and JS Bach to Einstein and Tolkien - implies that a niche will surely remain for the profound repositories of ancient wisdom.

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#### References

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Bruce G Charlton MD

Editor-in-Chief, *Medical Hypotheses*

University of Newcastle upon Tyne, NE1 7RU, UK.

e-mail address: [bruce.charlton@ncl.ac.uk](mailto:bruce.charlton@ncl.ac.uk).

Source: <http://www.hedweb.com/bgcharlton/ed-boygenius.html>