

LECTURE A: OVERVIEW OF ECONOMIC ANALYSIS

The first section of the course is a general introduction to “the economic way of thinking.” It is important to realize several things about economics from the outset. First, economics is a *social science*, and economic theory is the foundation for most business disciplines. Second, economics is more a method of analysis or thinking, than “job training” or the study of specific “topics” like the economy, the stock market, or money.

Economists study a variety of issues, including marriage and divorce, drug addiction, prostitution, environmental decay, political economy, and government policy. For example, your professor almost exclusively studies the economic and social impacts of legalized casino gambling. Almost any social phenomenon can be studied from an economics perspective.

Economics is the only social science for which a Nobel Prize is awarded. More important than any of the specific topics discussed, an understanding of economic theory helps you to develop critical thinking skills with which you may analyze a world of interesting topics.

The political and economic climate during the past decade has been interesting: slow recovery from the 2007-09 recession; health insurance overhaul; record budget deficits; the 2016 election; protectionist trade policies; and foreign policy changes, to name a few issues. Economic events can affect your life in serious and unexpected ways, and your generation will largely bear the consequences of current political decisions.

A good understanding of microeconomics will help you after college when you become a taxpayer and begin caring more about what politicians do. You will be better informed and able to analyze the likely economic impacts of government policies.

There is no obvious organization to this first lecture; the purpose here is to expose you to a number of different issues that help to form the foundation of economic theory.

The first thing you should learn in the course is that “economics” is all around you. Every decision that you make is an economic decision, whether or not it involves money.

• The (Macro) Economy Today

Before getting into the substance of the material for this course (microeconomics), it is worth taking some time to learn about what has been happening in U.S. macro-economy during the past few years. As you should be aware, the U.S. went through a serious recession that began in Dec. 2007, just before President Obama took office. The recession “officially” ended in June 2009. However, even five years after it ended, some key economic variables, such as unemployment, were still not back to pre-recession levels. It was a slow economic recovery.

The slow recovery worried many observers, especially since the policies enacted by the federal government seemed ineffective in helping the economy to grow. By 2018, however, things seemed more-or-less back to normal.

Recession is a technical term meaning negative economic growth (or negative gross domestic product [GDP] growth) for 6 months or longer. Usually, increasing unemployment and falling prices are characteristic of recessions.

The U.S. inflation-adjusted GDP growth rate since 2000 is shown in Figure A.1. The rate for the second quarter of 2018 (4.1%) is the highest it has been in several years. President Trump

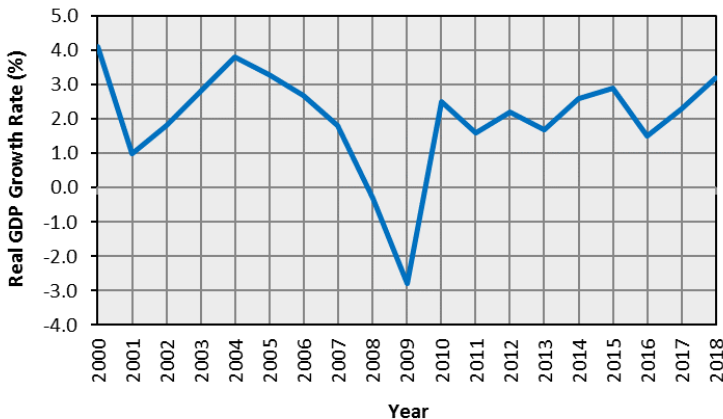


Figure A.1. U.S. real GDP growth rate, 2000-18

Data source: Bureau of Economic Analysis. The 2018 rate of 3.2% is the average of the first two quarters.

credits the tax cuts, regulatory cuts, and trade policies for the increased growth rate.

During the recession the U.S. unemployment rate peaked at 10.0% in October 2009. It has since fallen to 3.9%, as of June 2018. South Carolina's unemployment rate peaked at 11.7% in December 2009. By June 2018 it had fallen to 3.8%.

Figure A.2 shows the U.S. unemployment rate since 2000. Note that the unemployment rate was between 4% and 5% for several years shown in the graph. Economists consider 5% to be a "normal" rate of unemployment.

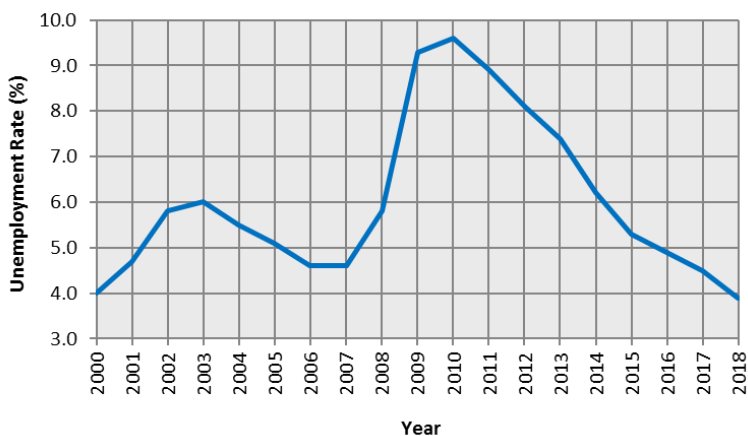


Figure A.2. U.S. unemployment rate, 2000-18

Data source: Bureau of Labor Statistics. The 2018 rate of 3.9% is for the second quarter.

Regardless of whether the economy is doing well or not, and whether democrats or republicans are running D.C., one thing remains constant: the federal government spends much more money than it brings in! As shown in Figure A.3, the federal budget deficit averaged \$1.3 trillion from 2009-12. The 2018 federal budget includes \$4.2t in spending (about \$13,000 per resident) and \$3.3t in taxes. Roughly \$830 billion must be borrowed to fund spending in 2018. This represents about \$2,500 of debt per resident.

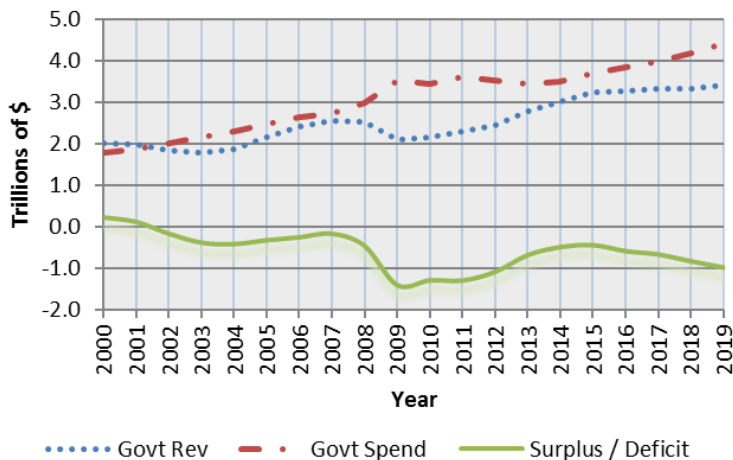


Figure A.3. U.S. federal fiscal trends, 2000-19

Data source: 2018 Economic Report of the President, Table B-17; 2019 figures are government projections.

Large budget deficits are a real concern, because the money must eventually be repaid with higher future taxes. Before the Obama administration, Americans used to be concerned with \$400 billion deficits. From 2002-08 the deficit was smaller, only close to \$400b during two years. During the Clinton administration, from 1999 to 2001, we actually had a budget surplus! One thing is clear: both major political parties enjoy spending other people's money – and they rarely cut spending.¹

When you add up annual *budget deficits*, the total is our *national debt*. As of summer 2018, our federal debt is over \$21 TRILLION! That's \$65,000 for each U.S. citizen.² Figure A.4 shows that, for the first time ever, our national debt surpassed GDP in 2013. (In Greece, this happened for the first time back in 1994; their 2016 debt:GDP ratio was over 1.8.)

¹ In 2009 Obama announced that he'd cut \$100 million from the budget. For an interesting illustration that puts this amount of money in perspective, see <https://www.youtube.com/watch?v=cWt8hTayupE>.

² See <http://www.usdebtclock.org> for the current debt.

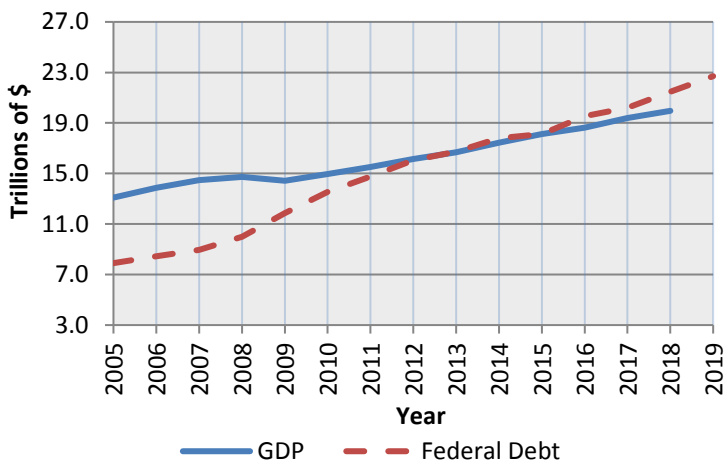


Figure A.4. U.S. GDP and federal government debt, 2000-19

Data sources: 2017 Economic Report of the President, Tables B-2 and B-17, and the St. Louis Fed. The 2018 value for GDP is for the first quarter; the 2019 value for debt is a government projection.

While republicans are quick to point out that the national debt almost doubled while Obama was President, obviously Congress is at least as much to blame. And the debt continues to climb during the Trump administration. Despite the exploding national debt, politicians seem unwilling to reign in government spending.

Hopefully after you take this class you will have a much better understanding of how markets work. Once you see how markets work, and how government policies affect them, you will be better prepared to consider more macroeconomic issues.

You may come to realize that government is not as important as you have thought – at least with respect to the economy. In particular, U.S. presidents probably get more credit and blame than they deserve for the state of the economy. What happens in the economy is mostly the product of billions of decisions by individual consumers and producers. Government impacts some outcomes, but often only at the margin. Regardless of its (in)effectiveness, government is *very expensive* for taxpayers.

- **Scarcity**

- This is the economic problem
 - since we have unlimited wants but limited resources, we must make choices
 - each choice implies a cost – a foregone opportunity – an “opportunity cost”
 - “drive 55, save lives”? what about “drive 125, save time”?
 - coming to this lecture? you could have been doing something else
 - economics is the study of how to allocate scarce resources to make people as happy as possible
 - it applies to individuals, as well as societies
 - the price system will be our major focus, but there are numerous other ways to allocate scarce resources
 - lottery, by force, first-come-first-served
- Do rich people or societies face scarcity?
 - Jeff Bezos (worth \$150b) could buy anything he wants, but still he faces scarcity
 - good health, limited lifespan, one body, etc.
 - how about the U.S., which is a relatively rich society?
 - when we spend more on one program, there’s less available for others
 - if we spend more now, there’s less for later
 - can government provide “free healthcare” or cheap health insurance by making more regulations?
 - consider the debate over “Obamacare” (passed 2010) and efforts to repeal
 - regardless, health care must be *rationed* somehow – it’s *scarce*

- **Landsburg, “Introduction” and “The Power of Incentives” (Ch. 1)**
 - “People respond to incentives” is one of the most fundamental ideas in economics, especially when discussing government policies
 - consider the car safety mechanism: seatbelts increase the chance of surviving a particular accident, but increase the number of accidents
 - which effect is greater determines whether deaths \uparrow or \downarrow overall
 - if you can’t believe this, what about the opposite?
 - suppose a spear was mounted on the steering column?
 - if driving is more dangerous, people drive more safely
 - What are some other cases with similar incentive effects?
 - Ex: “diet” foods, zero calorie sodas, “light” cigarettes, condoms, etc.
 - Consider economic policies from the recession
 - Ex: Bank and auto company bailouts during the 2007-09 recession
 - government bailouts signal to companies, “don’t worry if you have terrible and/or corrupt management; taxpayers are there to help you”
 - this is not a good incentive signal to be sending
 - profits and losses serve very important functions in an economy
 - \$4.00 gas (July 2008) was encouraging people to trade-in their SUVs for Priuses to conserve gas
 - probably helped to seal the coffin on GM’s Hummer brand of vehicles (2010)

- **Hazlitt, “The Lesson” (Ch. 1) and “The Broken Window” (Ch. 2)**

- “The Lesson”
 - we should focus on both the short and long run effects, and on all affected parties
 - don’t just look at the short run effects and on beneficiaries
 - secondary (and unintended) consequences are very important to try to understand
- “The Broken Window”
 - the unseen is just as important as the seen
 - the broken window fallacy, e.g. “war”

- **Economic Analysis: The Basics**

- Economics is a social science, and it uses the scientific method
 - we develop and test hypotheses about how different variables are related
 - often we’re interested in how people will react to some change in incentives
 - Ex: what will happen to the consumption of gasoline if prices rise?
 - Ex: what will happen to the popularity of lottery tickets if a casino opens?
- Theories, models, and assumptions are important components of economic analysis
 - theories – ideas about how the world works, or an expectation about the relationship between variables
 - Ex: what to do if your TV doesn’t turn on
 - Ex: how people react to higher prices
 - Ex: lottery and casinos are substitutes
 - models are simplifications of reality
 - we develop “economic models” to test theories about behavior

- Ex: a road map (or what you see on your GPS) is a model that is useful precisely because it ignores most aspects of reality – those which are irrelevant
- Ex: in modeling gambling behavior, we don't care about soft drink prices, new material used in bandages, etc.
- assumptions are starting points for developing models to test theories
 - two key assumptions used in all in economic models: rational behavior; *ceteris paribus*
 - rational behavior – acting in your self-interest
 - people compare expected costs and benefits (EC, EB) of a particular action, and act only if $EB > EC$; otherwise they're not rational
 - this doesn't rule out altruistic behavior, and it doesn't pertain only to monetary transactions
 - Ex: students coming to lecture (long-run benefits?)
 - Ex: giving money to a church/charity (self-interested, but not selfish)
 - *ceteris paribus* – “holding everything else constant”
 - you must isolate changes because the world is so complicated
 - with an understanding of the important individual determinants of behavior, we can better explain and predict behavior
 - Ex: considering the impact of introducing casinos on lottery sales, assume no change in people's incomes
- by using theories, models, and assumptions, economic analysis aims to explain and predict behavior
 - most interesting applications are policy changes

- **Examples of “Rationality Riddles”**

- You should assume people are rational and know what they’re doing; don’t just assume they’re stupid
 - Ex: why do stores practice 99¢ pricing? (and why do people do it for cars and real estate?)



Emerald Cut 11.85ct
IF Clarity, G Color Diamond
Platinum Solitaire Ring -
\$819,999.99

Features: Only One Available,
IGI Value: \$1,258,545

Figure A.5. Costco illustrates 99¢ pricing

Source: Costco.com, 2/19/16.

- Ex: Why have companies advertised that they have been corrupt, offer crappy products, or have otherwise done a bad job? (Buick³, Domino’s Pizza⁴, Uber⁵, Wells Fargo⁶, Facebook⁷)
 - ...why would anyone use Wells Fargo still?
- Ex: Why do some bars put prices on menus for wine, but not beer?
- Ex: Why do some restaurants include tax in their prices (Warehouse), but others don’t (Republic)?
 - see Figure A.6

³ <https://www.youtube.com/watch?v=q2nypLMEMr0>

⁴ https://www.youtube.com/watch?v=z3GcLH_834E

⁵ <https://www.youtube.com/watch?v=WmZyw5IPKqE>

⁶ <https://www.youtube.com/watch?v=1rrivHxCeeY>

⁷ <https://www.youtube.com/watch?v=Q4zd7X98eOs>

WE ARE WAREHOUSE Join us on Sundays for Brunch 11am-4pm!	Republic Garden & Lounge 843-724-7400
Server: Left Bar 12/14/2015 B4 Cpl/1 9:08 PM Guests: 1	Server: Catelen 08/25/2015 Cashier: Left Bar Out Tbl 23/1 6:14 PM Guests: 1
#30070	#10006
El Conquistador 8.50 Employees CK 8.50	Herradura Blanco 5.00 1/2 Champagne 6.50
Subtotal 17.00 Tax 0.00	Subtotal 11.50 Tax 1.46
Total 17.00	Total 12.96
Balance Due 17.00	Balance Due 12.96
THANK YOU! HAVE YOUR EVENT AT WAREHOUSE! Email team@wearewarehouse.com (843) 202-0712 wearewarehouse.com @team_warehouse	Thank you. Please return with this receipt in the next 90 days and receive 20% off your next tab. Happy hour and bottle service not included.

Figure A.6. Receipts from Warehouse, which includes taxes in the prices, and Republic, which does not

- **Economic Analysis: The Basics (continued)**

- There are two major branches of economics
 - micro and macro
- Two types of statement
 - positive statements
 - can be tested and shown to be right or wrong
 - Ex: the unemployment rate is currently 5%
 - normative statements
 - are beliefs/opinions about what “should be” or what’s “fair”
 - economists often disagree on what the proper role of government is
 - Ex: government should do more to lower unemployment
 - Ex: “the sales tax at restaurants is 11%” vs “the sales tax at restaurants is too high”
- “Economic efficiency” is a major goal in economics
 - technological efficiency means producing the most possible given the inputs being used
 - allocative efficiency means we’re producing what consumers want

- Adam Smith’s “invisible hand” concept – that individuals’ behavior when acting in their own self-interest is often consistent with the “public good”
 - this is a very important insight that you should gain through learning about how markets work – a primary goal of this class

- **Opportunity Cost**
 - This may be the most important idea in economics!
 - Defined as the highest valued-alternative use of resources foregone in making any choice
 - “Cost” in economics means full opportunity cost
 - “explicit costs” are like accounting costs (\$)
 - “implicit costs” are the value of non-\$ resources
 - Ex: Cru Café for dinner (parking, wait time, menu prices)
 - Ex: coming to the lecture
 - Ex: getting a college degree
 - is it rational to be in college if you don’t expect to increase your salary?
 - Ex: why do salaries vary so much for professors of the same rank but of different disciplines?
 - CofC (2014) faculty salaries in different disciplines⁸: English, Teacher Ed, Philosophy, Anthropology (\$60K); French (\$52K); Accounting/Finance (\$130K); Economics (\$85K)
 - faculty salaries may reflect what graduates’ relative salaries are likely to look like
 - Ex: the top 14 earning SC state employees get at least \$400,000; 11 of these people are either coaches or athletic directors.

⁸ Data source: <http://www.admin.sc.gov/accountability-portal/state-salaries>. College of Charleston is listed as “University of Charleston.” USC’s football coach Will Muschamp earns the top salary in 2018 (state-funded), \$1.1 million.

- does SC care more about athletics than academics or public policy?
 - or why do we pay these people so much?
 - Ex: in 2017 a parking space in Charleston (near Burns Ln and King St) was for sale for \$74,000
 - is that greed, or just opportunity cost?

- **Sunk Costs**
 - These are costs that should be ignored – they are beyond recovery at the moment of decision
 - Ex: whether to finish your college degree
 - Ex: road trip to Miami Beach
 - Ex: chasing losses at a casino
 - Rational decisions are made at “the margin,” looking into the future, not the past

- **Modeling Opportunity Cost**
 - Opportunity costs can be illustrated using a production possibilities frontier (PPF) model
 - A PPF illustrates the maximum production quantities, given the following assumptions:
 - a single input (labor)
 - no unemployment of inputs
 - technology is fixed
 - two “goods” are produced; people like both
 - Consider an example of how you could allocate 4 hours of time, assuming you can’t “split” hours
 - suppose the data in Table A.1 represent the “output” you’ll receive from working (W) and studying (S) different combinations of task for 4 hrs.

Table A.1. Time allocation for 4 hours

Hours Spent	Income (\$)	Grade (%)
4W, 0S	\$36	60%
3W, 1S	\$27	70%
2W, 2S	\$18	80%
1W, 3S	\$9	90%
0W, 4S	\$0	100%

- we draw a PPF to illustrate the data from Table A.1

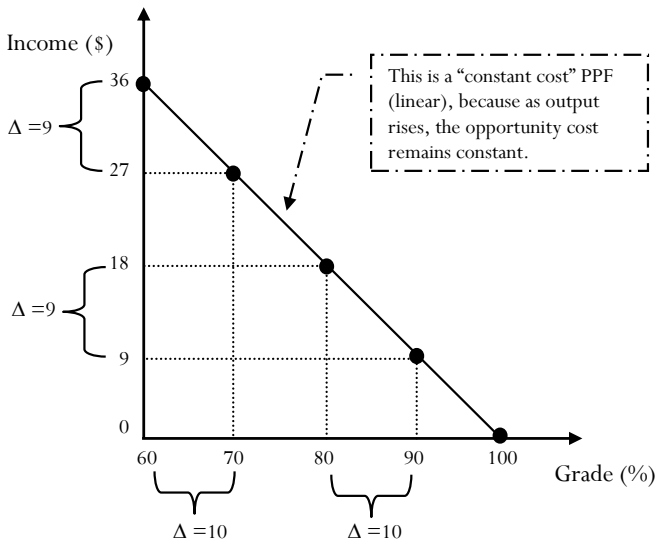


Figure A.7. PPF for a student's 4 hours of time

- in reality, do you think the PPF would be linear, as shown?
 - is each additional hour of studying really likely to increase your grade by 10%?

APPENDIX TO LECTURE A

Economics and the “Big Picture”

Before going too far in learning economics, it might be useful to think about how economics fits into the big picture. Economic ideas apply to many important issues – much more important than, for example, giving you a framework to help decide whether you should study more or work more. In fact, no academic discipline may be more important than economics for helping you to analyze and understand public policy.

Think about these questions: What type of government is best? What powers should it have; how should its power be limited? To what degree should people have freedom to make decisions? How should we decide who gets what?

Someone has to make such decisions, whether it’s a brutal dictator or a large group of voters who, for whatever reason, liked Donald Trump and Hillary Clinton best out of all the possible 2016 candidates for President. An understanding of economics can help you identify which institutions and rules work – and why – and which do not, in helping people to most effectively deal with scarcity.

- **Big Economic Questions All Societies Must Answer**
 - Every society or group of individuals – whatever its history, culture, or political orientation – must address (at least) three basic questions
 - what should be produced?
 - who should produce it, and how much?
 - who should consume the stuff (and how much) once it is produced?
 - These questions would not be important if scarcity didn’t exist
 - What rules and institutions will best help address the questions above? And who should make the decisions?
 - free individuals, through markets (the main focus of this course)

- government dictators with unlimited power?
 - as in Venezuela or Cuba?
 - committees composed of volunteers or elected officials?
 - some mix of the above?
 - Markets, though not perfect, are the most efficient mechanism for answering all of these questions, yet they are under attack today by politicians (both republicans and democrats)
 - markets would probably occur naturally; they're not the invention of someone
 - the functions of market prices, profits, and losses are typically misunderstood
 - hopefully after taking this course, you will understand these well
 - Consider the “Hate Corporations/Love Governments” ideology⁹
- **Circular Flow Model of the Economy**
 - This is a very simple model of an economy (Figure A.A1)
 - called “circular flow” since money and resources flow in a circle
 - Everyone has a role on the supply side and on the demand side
 - The model shows the fundamentals of exchange
 - both parties benefit (or at least expect to) from the transaction

⁹ <http://blog.independent.org/2017/01/19/hate-corporations-and-love-governments-an-ideological-monstrosity/>

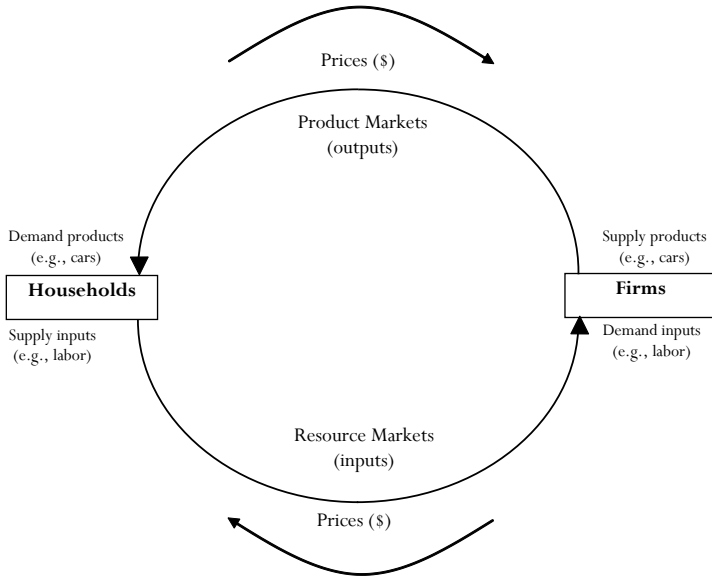


Figure A.A1. Circular flow model of the economy

- **Cooperation vs Competition in the Economy**
 - Competition is a common topic in economics, but economic behavior is, by its nature, cooperative!
 - Much of this course deals with *mutually beneficial, voluntary transactions*
 - even the simplest trade illustrates that both parties expect to benefit
 - otherwise they wouldn't trade
 - Ex: \$4 slice of pizza at Mellow Mushroom
 - who values what more?
 - Production, consumption, and "competition"
 - competition implies zero-sum
 - like sports: if one team wins, the other loses
 - but production is cooperative – a lot of people must come together to build a car
 - yet, a firm does compete with others for customers
 - this may be the only sense in which competition is relevant – and it's a good thing

- consumers may compete with each other to find the best bargains, best products, which may be scarce
 - Consumers versus producers
 - consumers like low prices, and abundance
 - producers like high prices, and scarcity (for what they produce)
 - consumers' interest in abundance is more consistent with the best interest of society
 - still, each transaction that occurs in a market is an example of cooperation, and is mutually beneficial
- **“Emporiophobia”**¹⁰
 - The benefits of free markets and trade are easily distorted or misunderstood, and many people distrust or dislike “markets”
 - this may be if people see sellers' profits as coming at the expense of consumers, as if they must be losers in the exchange
 - Distaste for the market may also come from media
 - Ex: capitalism and the movie *Wall Street*
 - Ex: from *The Founder* (movie):

“Business is war. It's dog eat dog, rat eat rat. If my competitor were drowning, I'd walk over and put a hose right in his mouth.”

- yes, sellers compete with each other for customers, but they do it by making better products that people want to buy, not by knocking off their competition
 - except in the black market for drugs, for example, where normal competitive practices are illegal

¹⁰ Much of this section is based on P. Rubin, “Emporiophobia (Fear of Markets): Cooperation or Competition,” *Southern Economic Journal* 80(4): 875-889 (2014).

- Common dislike of international trade
 - consider Trumps rhetoric about trading with China, that we're "getting killed" by our trade deficit
 - suggests trade is "zero-sum"
 - 2018 tariffs are a results of this thinking
 - Ex: T. Boone Pickens' ("The Pickens Plan") says that our purchase of foreign oil is the "largest transfer of wealth in history." His website explains¹¹:

"In addition to putting our security in the hands of potentially unfriendly and unstable OPEC nations, we are jeopardizing our economy. In 2013, we imported 1.35 billion barrels of oil from OPEC at a cost of \$147 billion. Over the next 10 years, this addiction will be \$2 trillion. In the history of mankind, no country has ever sent this much wealth out of its borders."

- Our own Sen. Lindsey Graham sympathizes with this view, according to his statement during the "happy hour" debate among republican presidential candidates (8/6/15):

"...we're going to become energy independent. I am tired of sending \$300 billion overseas to buy oil from people who hate our guts. The choice between a weak economy and a strong environment is a false choice."

- but it's not a "wealth transfer"; we get something of greater value than the money we spend! (Otherwise we wouldn't buy it.)

¹¹ See <http://www.pickensplan.com/the-plan/>. The website appears to only be updated during presidential election seasons; there were quite a few updates during 2016. The "largest transfer" quote was on the webpage in 2008; the longer quotation was from August 2017, and still appeared in July 2018.

- Politicians love to blame bad outcomes on markets, even when government had a hand in making things worse
- **How Would You Organize a New Society?**
 - Imagine we were tasked with organizing a new society
 - establish rights, rules, laws, etc.
 - we want a high standard of living (consumption), which requires production
 - we have to somehow decide what should be produced, who should produce it, etc.
 - Economics deals mostly with *efficiency*, but there is often a conflict of this with *fairness*
 - M. Friedman: “Fairness means somebody has to decide what’s fair.”¹²
 - Human nature is mostly good, and most voluntary behavior with others benefits society
 - yet, with complete freedom, some people would take advantage of the system and of other people
 - Government is the only institution with the legal right to use force against people
 - laws and regulations often represent coerced behavior – either direct force or the threat of force
 - John Rawls presented a thought experiment for considering how to design a just society¹³
 - “justice as fairness”
 - citizens choose jointly principles to assign basic rights and duties
 - Rawls suggests these principles of justice should be established from behind a “veil of ignorance”:

¹² For an interesting interview (in the 1970s) with Milton Friedman, see <https://www.youtube.com/watch?v=yqrBa09jiAI>.

¹³ This section is based on John Rawls, *A Theory of Justice*, revised ed. (1999 [1971]).

“No one knows his place in society, his class position or social status, nor does anyone know his fortune in the distribution of natural assets and abilities, his intelligence, strength, and the like.”

- the initial status quo is called the “original position”
- would you want some basic social safety net?
 - Ex: minimum amount of food or income provided, financed by taxes?
 - Ex: basic health insurance?
 - Ex: equal treatment under law?
- In “Why Does Johnny So Rarely Learn any Economics,” Heyne argues that most people do not understand how an economy works, so they should not have input in making the rules affecting the economy
- Libertarians argue for a minimal role of government
 - enforce contracts
 - provide national defense
 - a basic “social safety net”
- Others argue for a much larger role of government
 - provide “free” health care
 - guarantee a “fair wages” for everyone
 - limit salaries of CEOs, etc.
- The U.S. Constitution outlined the rights of people and the limitations to government power
 - we’ve moved far away from the Constitution
 - consider “You’re Afraid of Power, Not Trump”
- A solid understanding of economics is important for understanding how a just society could be organized

- **Forms of Government**^{14,15}

- Although we will not go into much detail about various forms of government, it's worth defining a few
 - Authoritarian – state authority is imposed onto many aspects of citizens' lives
 - Communist – the state plans and controls the economy and a single – often authoritarian – party holds power; state controls are imposed with the elimination of private property and capital, while claiming to make progress toward a higher social order in which all goods are equally shared by the people (i.e., a classless society)
 - Democratic Republic – the supreme power rests in the body of citizens entitled to vote for officers and representatives responsible to them
 - Dictatorship – a ruler or small clique wield absolute power, not restricted by a constitution or laws
 - Fascism – characterized by dictatorial power, forcible suppression of opposition and control of industry and commerce.
 - Federal republic – the powers of the central government are restricted, and the component parts (states, colonies, or provinces) retain a degree of self-government; ultimate sovereign power rests with the voters who choose their government representatives
 - Marxism – Karl Marx viewed the struggle of workers as a progression of historical forces that would proceed from a class struggle of the

¹⁴ This is a very short discussion of a very complex topic. These definitions are quoted or paraphrased from the CIA's *The World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/docs/notesanddefs.html>, search for "government type". The definition here of "fascism" is from Wikipedia.

¹⁵ John Stossel has a good short video on the "Deadly-isms" at <http://reason.com/reasontv/2017/12/19/stossel-the-deadly-isms>.

proletariat (workers) exploited by capitalists (business owners), to a socialist “dictatorship of the proletariat,” to, finally, a classless society (Communism)

- Socialism – the means of planning, producing, and distributing goods is controlled by a central government that theoretically seeks a more just and equitable distribution of property and labor; in reality, most socialist governments have ended up being no more than dictatorships over workers by a ruling elite.
- Totalitarianism – government seeks to subordinate the individual to the state by controlling not only all political and economic matters, but also the attitudes, values, and beliefs of its population

