



# BUBBLES, BUSINESS and BEYOND

Economics: what is it really?  
And why does it matter?

Economics: The study of the production, distribution, and consumption of wealth.

Three key points:

**Mutual determination insight** - Everything depends on everything else.

**Subjective insight** – There are no objective costs. Cost as well as price reflect the subjective valuation.

Things cannot have a cost only action can have a cost. **What is the cost of a college education?**

(there is the cost of providing an education, cost of acquiring an education, cost to parents who pay for it, or even the cost to the student who didn't get into college) Summarized as the **Opportunity Costs** – the only kind of costs that affect the decisions or price.

**Marginal insight** – The value of anything and everything depends on the situation. It refers to the edge where decisions are made..

What is more valuable: Water or Diamonds?

Cup of Water or a Cup of Diamonds?

**Economy** – art of managing a household.

**Economist** – person entrusted to that responsibility.

**Political Economy** – science or art of managing the State.

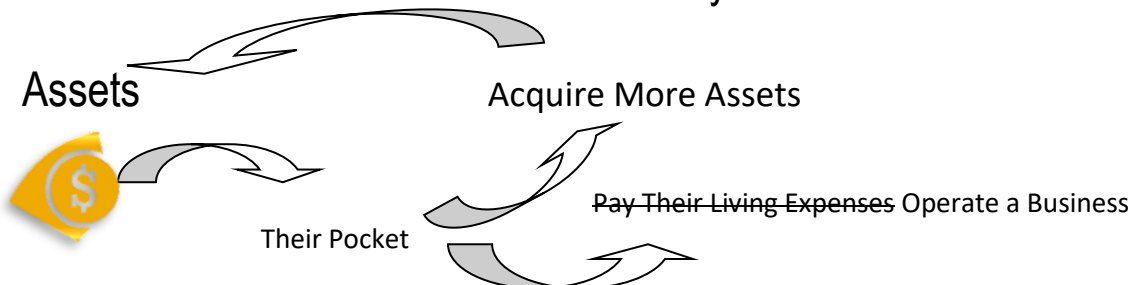
(“One of the mistakes that people regularly make is to assume that government always pursues the public interest.”) pg36

For more information see 'A Student's Guide to Economics' by Paul Heyne

Investors want to make 150% profit **now**, but not more than 2-3 years out.

## ***Business of Making Lemonade***

Remember the Cash flow of the Wealthy



## Typical Business Plan (Widgets)

(WIDGET COMMON STOCK \$1 a share)

Venture Capital

Board of Directors

Share Holders

BUSINESS OWNER

Valuations

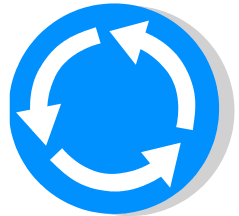
Operating Expenses

Profit/Loss

...

McDonalds is not in the Hamburger Business!

Examples: Banks, Retail Stores, Credit Card Companies , ...



*What is the Working Class?*

*Stimulate the Economy? Why?*

*Negative Interest rates?*

## Tanstaaf!

There Ain't No such thing as a free lunch

Nothing of value is free

Somebody pays with \$, time or hard work

Government as a Business?

Welfare – Give to the Poor

Subsidy – Give to the Rich

### The Liabilities of the Government

Government salaries, pensions

Standing Army, Roads, Schools...

Republicans – For Big business... trickles down and helps the People “working class”

Democrats – For the Little Guy (tax the rich, feed the poor) ... really tax the “working class”

(No matter what they say -They both tax the working class) (Both Parties rely on Big Business to fund their congressional campaigns) It's been said “If the poor don't like it, let them buy their own senators”

From the book ‘The Ultimate Field Guide the U.S. Economy’

## Money Management Class #2

### The Governments First source of income – TAXES

(you get taxed twice in America,  
once when you get paid and another time when you buy anything)

### Second source of income- Counterfeiting

(If you do it, you'll go to Jail, if the government does it, It's called inflation)

Since the beginning of time "all governments have used inflation"

Clipping the coins (Roman style)

(stopped this practice by reeding the coins, Your dimes & quarters of today are still reeded but they do this just for looks)

Debasing the coins

(Government gathers the coins >>comes in 94% silver >> they melt it down and other metals and restamp >>leaves 84% silver)

Clad tokens

1965 prior 900 fine silver (90 percent pure ten percent base for hardness)

Coins is a disk of precious metal like gold or silver

Federal Reserve Note vs "Silver Certificate"

Inflation – is the increase in the amount of \$

Law of Supply and Demand

-When the supply of something goes up, the price per unit goes down.

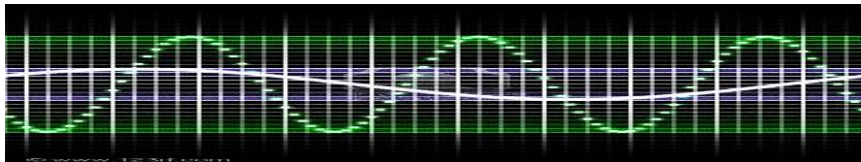
Pencils : If a lot of pencils only worth about 10cents, if only 1 pencil would be worth a lot

If there is very little money, the money is very valuable, but if a lot of money then it losses it's value.

Leviticus 19:35-37

35 You shall not cheat in measuring length, weight, or quantity. 36 You shall have honest balances, honest weights, an honest ephah, and an honest hin: I am the LORD your God, who brought you out of the land of Egypt. NRSV  
Leviticus 19:35-36

35 ""Do not use dishonest standards when measuring length, weight or quantity. 36 Use honest scales and honest weights, an honest ephah and an honest hin. I am the LORD your God, who brought you out of Egypt. NIV



Can't keep making money forever

A depression is the correction period following an inflation. (during a depression businesses go broke and people loss their jobs) Many become poorer.

When the government stops the depression by starting another inflation before the depression is fully under way, this is called a recession. So up and down the cycle goes. This motion is called the business cycle.

Businesses need you to spend \$ so they can make \$.

For more information read the book: 'Whatever Happened to Penny Candy? By Richard J. Maybury'

## Marketing 101

- Get Their Attention
- Arouse interest and appeal to their emotions
- Create a BUY NOW incentive
- Ask for action NOW
- Target ready to buy customers
- Make it easy to respond
  - (no money down, same as cash, buy now pay later, Yes we take credit cards)

Father: Why don't you get yourself a job?

Son: Why?

Father: So you could earn some money.

Son: Why?

Father: So you could put some money in a bank and earn interest.

Son: Why?

Father: So that when you're old you can use the money in your account...and you would never have to work again.

Son: I'm not working now.



## Counter Marketing Tactics

- ✓ Is it an item I was going to purchase anyway? If NO, STOP!
- ✓ If you are emotional at all, STOP!
- ✓ If you feel pressured, STOP!
- ✓ If you feel you deserve it, STOP!
- ✓ If you don't have the CASH you can't have the product. Can you really afford this?
- ✓ Convert the cost into hours of work.
  - How many hours did I already work to pay for this? A \$50 sweater on sale for ½ price is still 2 hours of work if you get paid \$18.75 an hour (don't forget to adjust for taxes)
- ✓ What do you have to NOT get, in order to purchase this?

To make a balanced budget you will need to  
give up something

