

# Chapter 7

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Economics

# Chapter Outline

- Economic Systems
- Production
- Distribution : Systems of Exchange

# Economic System

- The part of society that deals with production, distribution, and consumption of goods and services.
- The way production is organized has consequences for the family and the political system.
- Economics is embedded in the social process and cultural pattern.

# Economic Behavior

- **Economics** is the study of how the choices people make determine how their society uses its resources to produce and distribute goods and services.
- **Economizing behavior** is choosing a course of action that pursues the course of perceived maximum benefit.

# Question

- A fundamental assumption of Western theories of microeconomics is
  - a) that resources are unlimited.
  - b) that humans primarily operate in an altruistic manner.
  - c) the idea that "wants" are unlimited, but means for achieving them are limited.
  - d) financial profit drives the vast majority of peoples' choices.
  - e) social obligations take precedence over material gain.

# Answer: c

- A fundamental assumption of Western theories of microeconomics is **the idea that "wants" are unlimited, but means for achieving them are limited.**

# Allocating Resources

- Each society has rules to regulate access to resources:
  - Land, water, labor, and the materials from which tools are made.
- **Productive** resources are used to create other goods or information:
  - Material goods, natural resources, or information.
- **Usufructory rights**
  - The right to use something (usually land) but not to sell it or alter it in substantial ways.

# Productive Resources and Subsistence Strategies

- Foragers - weapons to hunt animals
- Pastoralists - livestock and land
- Horticulturalists - land, tools, and storage facilities

# Organizing Labor

- In small-scale preindustrial and peasant economies, the **household** or some extended kin group is the basic unit of production and consumption.
- Labor is just one aspect of membership in a social group such as the family.

# Organizing Labor

- In Western society, work has very important social implications.
- For many people, particularly members of the middle classes, work is a source of self-respect, challenge, growth, and personal fulfillment.

# Households

- In most nonindustrial societies, production is based around the household.
- The household is an economic unit, people united by kinship or other links who share a residence and organize production, consumption, and distribution among themselves.
- In industrial societies the basic unit of production is the business **firm**.
  - A firm is an institution that is organized primarily for financial gain.

# Firms

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# Sexual Division of Labor

- Universal characteristic of society.
- In foraging societies, men generally hunt and women generally gather.
- In agricultural societies, both men and women play important roles in food production.

# Question

- The division of labor by sex is a cultural universal, but anthropologists disagree as to how much biology determines differences in sex roles between cultures.
  - a) True
  - b) False

# Answer: a

- The division of labor by sex is a cultural universal, but anthropologists disagree as to how much biology determines differences in sex roles between cultures.

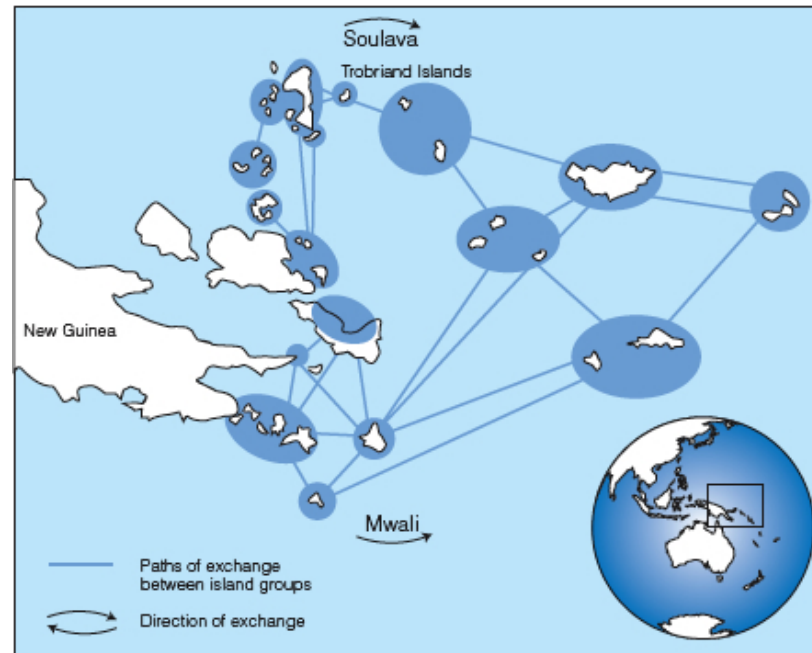
# Three Main Systems of Exchange

- Reciprocity
- Redistribution
- Market exchange

# Reciprocity

- Mutual give-and-take among people of equal status.
  - Generalized reciprocity - A distribution of goods with no immediate or specific return expected.
  - Balanced reciprocity - Exchange of goods of nearly equal value, with a clear obligation to return them within a specified time limit.
  - Negative reciprocity - Exchange conducted for the purpose of material advantage and the desire to get something for nothing.

# Kula Ring

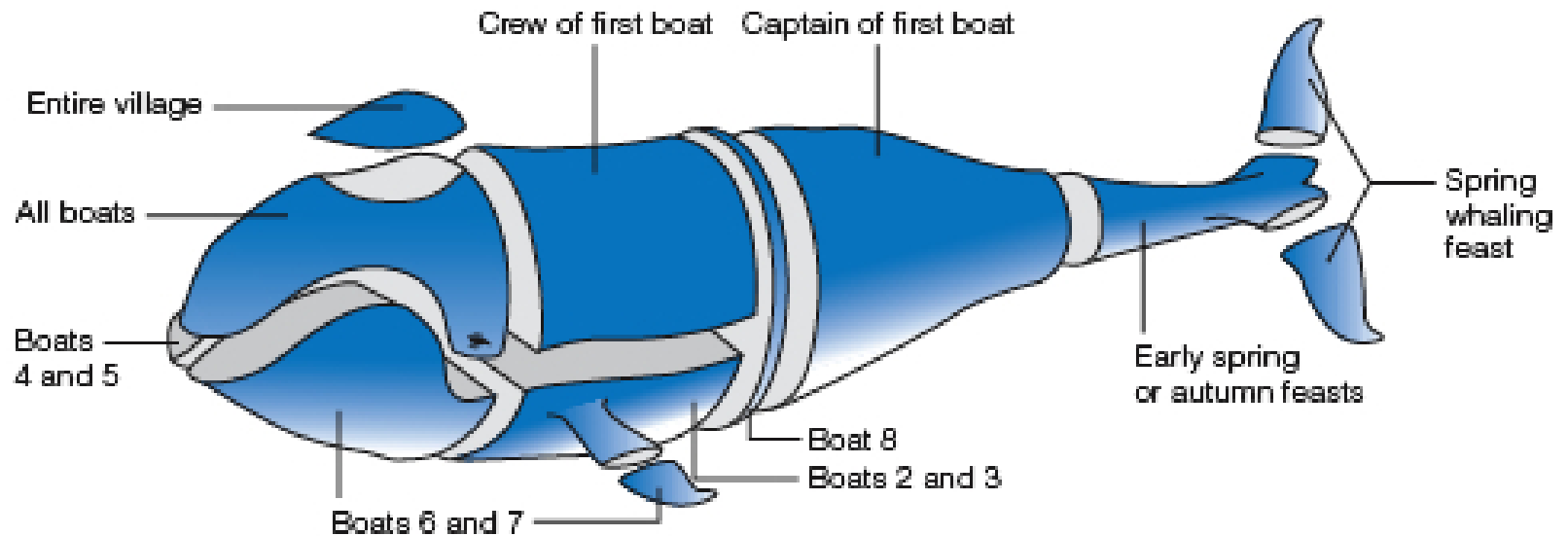


- A pattern of exchange among many trading partners in the Trobriands and other South Pacific islands.

# Generalized Reciprocity: Whaling

- Inuit whale hunting involves 10 to 15 boats.
- The first 8 boats to harpoon the whale receive stipulated portions of the meat.
- The captain of the first boat gives the shaman a narrow strip cut from the belly between the 8th boat's strip and the genitals.
- The top of the head is cut up and eaten at once by everyone in the village
- Portions of the tail are saved for feasting in the spring and autumn.

# Generalized Reciprocity: Whaling



# Redistribution

- Exchange in which goods are collected from members of the group and then redistributed to the group.
  - **Potlatch** is a competitive giveaway practiced by the Kwakiutl and other groups of the northwest coast of North America.

# Redistribution

- **Leveling mechanism** is a practice, value, or form of social organization that evens out wealth within a society.
- **Cargo system** is a ritual system common in Central and South America in which wealthy people are required to hold a series of costly ceremonial offices.

# Market Exchange

- Economic system in which goods and services are bought and sold at a price determined by supply and demand
- Impersonal and occurs without regard to the social position of the participants.
- When this is the key economic institution, social and political goals are less important than financial goals.

# Capitalism

- Economic system:
  - People work for wages.
  - Land and capital goods are privately owned.
  - Capital is invested for individual profit.
- A small part of the population owns most of the resources or capital goods.

# Surplus Value of Labor

- Marxist term for the difference between the wages a worker is paid and the value of their contribution to production to the capitalist.

# Quick Quiz

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1. If you act with "economizing behavior," as Western economists would say you do,
  - a) you are doing it because you value hard work.
  - b) you are doing this to ultimately get a better job and thus, a higher salary.
  - c) you will make a choice to benefit in some way.
  - d) you are motivated by thrift, and even might be called stingy.
  - e) you are consciously aware of what you are doing.

# Answer: c

- If you act with "economizing behavior," as Western economists would say you do **you will make a choice to benefit in some way.**

2. When you pay your taxes to "Uncle Sam" the U. S. Government , you are part of a system of

- a) negative reciprocity.
- b) redistribution.
- c) balanced reciprocity.
- d) generalized reciprocity.
- e) exchange similar to the Kula Ring.

# Answer: b

- When you pay your taxes to "Uncle Sam" the U. S. Government , you are part of a system of **redistribution**.

3. A tradition of hosting redistributive community feasts or distributing gifts as a way of gaining prestige and often power by those who have more wealth than others is known as

- a) balanced reciprocity.
- b) a leveling mechanism.
- c) penny capitalism.
- d) an instance of pure altruism.
- e) charity.

# Answer: b

- A tradition of hosting redistributive community feasts or distributing gifts as a way of gaining prestige and often power by those who have more wealth than others is known as **a leveling mechanism.**