



English, Economics, Politics, and Philosophy

Unit 1 Evolution of Economics

Lesson 1.3: More Economists!

Pertinent Concepts

- Economic Cost vs Accounting Cost: Friedrich von Wieser
- Revolutionary Economist: Karl Marx

Learning Goals:

- I will learn the development and origin of opportunity cost
- I will expand my understandings on the term 'cost'
- I will be able to understand 'objective value'
- I will learn the difference between bourgeoisie and proletariat

- Success Criteria:

- In the end of the unit more economists I will be able to complete a poster and articulate my first 'economic stance'

MINDS ON

Question 1:

These weeks, we have been doing some economic calculation, particularly for the topic opportunity cost and PPF. Opportunity cost argues that when we gain something, we correspondingly lose something. However, do you think it is possible for us to consider all the sacrifices we have made? – i.e., have we contemplated sufficient?

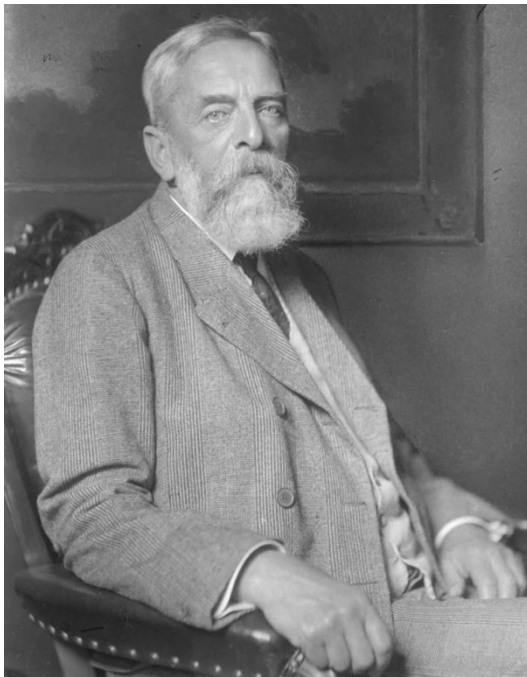


I am not sure, because we can think of some of the sacrifices we have made but some of them are inconsiderable.

Austria 奥地利
Australia 澳洲

School means an association
with people who share a
common fundamental belief

I. First Generation Economist – Friedrich Wieser



Friedrich von Wieser (1851–1926), was one of the earliest members of the **Austrian School of economics**. Being the student of the founder of Austrian School of economics, Carl Menger, he developed two revolutionary works: 1) *Natural Value*, in which he explored and

differentiated the idea of **alternative-cost/ economic cost** from pure **accounting cost**, and 2) *Social Economics*, in which he coined the term

Grenznutzen (**marginal utility**). In *Natural Value*, Wieser conceptualizes

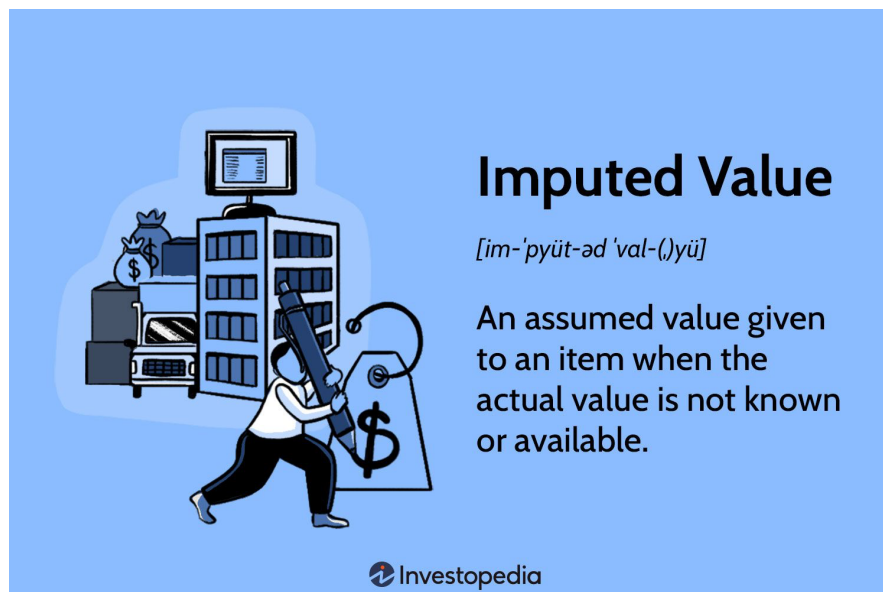
the **imputation theory**; in *Social Economics*, he distinguishes **public** **all possible input/ assumed (imagined) value** **goods from private goods**, and uses the term **opportunity cost** for the

first time in economics.

Alternative-cost: accounting cost plus the cost of the other choices/replacements/alternatives

Accounting cost: pure cost - i.e., the cost on the surface

		Rivalry in Consumption	
		high	low
Excludability	high	private goods (well-functioning market)	club goods (market failure)
	low	common resources (market failure)	public goods (market failure)



Question: Do you think **value** is set **objectively** or is it decided **subjectively** by people?

客觀地

主觀地

I think value is both subjective and objective.
When you buy things you choose different products; sellers sometime change their price due to subjective reasons - e.g.,
people bargain for a lower price. Besides, it's hard for us to know the exact value.

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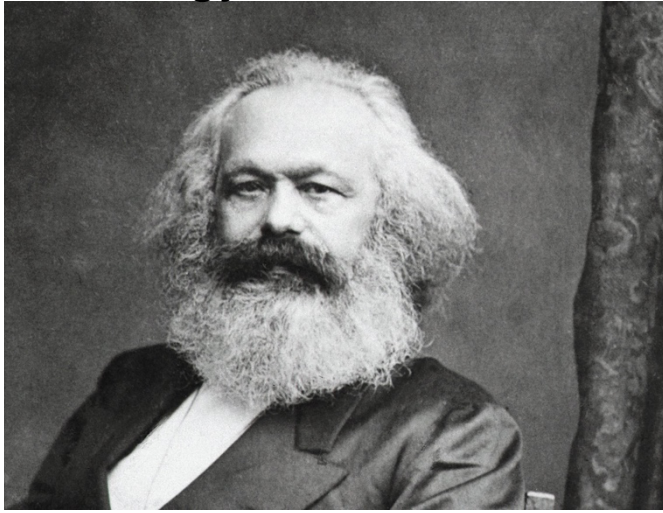
value ~ price ~ 價值

Ideas have consequences

Revolution = conflicts = rebelling

II. **Karl Marx** – ‘**Revolutionary Economist**’

ideology - ism, a set of beliefs that lead to an ideal goal



Karl Marx (1818–1883)

invented ‘modern **communism**’.

Some of his **prominent**
important/ special
contributions include *Das*

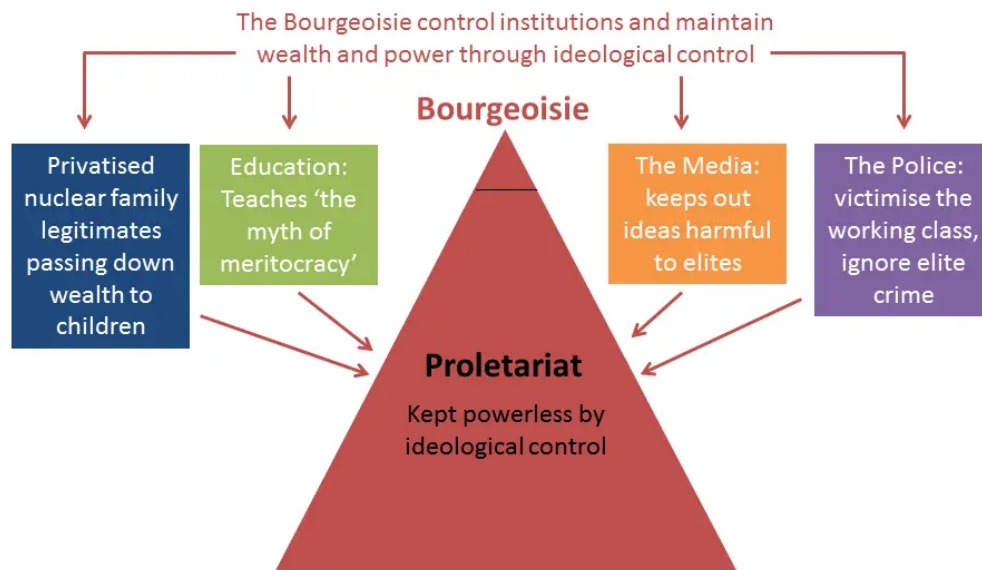
Kapita, *The Communist* **The Capital**

Manifesto, the development of

social **conflict** theory and he questions the justice of **objective value**.

- Even though Marx is completely **opposed** to **Adam Smith** and **David Ricardo** and other ‘classical’ economist, he had enormous respect for their works and learnt **from them**. He especially relied on **Ricardo** because Ricardo had shown him the connection between **economics and power in society**. However, unlike Ricardo, Marx believed that real distinction in society is NOT between **Industrialists and Aristocrats** but between **bourgeoisie and capitalist and royal family** **proletariat**.

The Marxist view of society



- Marx agreed with Malthus in so far as they both believed in **inevitability**. However, Marx believed that **capitalism** will destroy itself.
- Marx interpreted the entire history of the world through economics. For him, laws of economics determined the **course** of human history and that history was a continuing series of class struggles between exploiters and the exploited.

bourgeoisie vs proletariat

- This **exploitation** would lead to a REVOLUTION: where the working class would create. Marx believed that revolution would happen in **INDUSTRIAL countries** (England/USA/Western European countries/Singapore/Japan etc.) – HOWEVER, THAT WAS NOT WHAT HAPPENDED. Communist revolutions first took place in **AGRICULTURAL countries, i.e., Tsarist Russia, China, Vietnam, (old) Korea.**
- For Marx, however, this revolution would result in ‘**harmony**’ (peaceful relations between all human beings).
- One of the reasons why revolution did not happen in industrial countries is because the working-class standard of living (**the improved quality of our life**)