

**ECONOMICS**

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Economics by Eugene B. Riley

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**EUGENE B. RILEY**

# **ECONOMICS**



Globe Outline Series

# ECONOMICS

*Including Recent  
Examination Questions*

BY

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## PREFACE

This **OUTLINE OF ECONOMICS** is designed to present the fundamentals of the subject in as brief and concise a manner as is compatible with clearness of expression and accuracy of statement. It is hoped that the desired end has been attained by the inclusion of the following features:

- (I) The **outline form** of presentation.
- (II) The logical division of the subject into **brief chapters** followed by **questions** carefully culled from **recent examination papers**.
- (III) The concise statement of **laws and principles** typographically emphasized.
- (IV) The **recent examination papers** placed at the end of the book will, it is hoped, prove helpful to teachers preparing students for examinations.

Only the most authoritative sources have served as guides in the preparation of the book.

The author desires to express his thanks to Mr. J. Rubel of the Eastern District High School for his kindness in reading the manuscript.

EUGENE B. RILEY.

Brooklyn, New York,  
February, 1922.

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CALIFORNIA

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## CHAPTER I

### ECONOMICS AS A SCIENCE

**Definition.**—Economics is the social science which treats of man's wants and the satisfaction of those wants.

**Divisions of Economics.**—For convenience, the study of economics is divided under the following headings:

1. Consumption.
2. Production.
3. Exchange.
4. Distribution.
5. Public Finance.

**Fundamental Characteristics of Present-Day Economic Life.**—The exclusive right of an individual to control an economic good is called **private property**. Its limitations are:

1. *Taxation.*—Organized society takes for its own use part of the valuable goods of its citizens for the purpose of defraying the general expenses of the government.
2. *Eminent Domain and Requisition.*—The state may take for its own purposes, with due compensation, land or other property. For example, in time of war a nation may take, because of military necessity, wagons for the transportation of troops.

**Right of contract** is an agreement between two or more parties which the law will enforce. Its limitations are:

1. *Parties.*—Infants and insane persons may repudiate contracts.
2. *Purposes.*—Contracts for gambling or for usury are illegal.

**Individual freedom** includes the right to move from place to place and the right to acquire property.

**Private enterprise** is the right of an individual to engage in private business. Its limitation is *natural monopolies*. For example, special authorization is necessary to establish street railways, etc.

**Guaranteed privileges** include:

1. *Patents*.—An inventor has the sole right to manufacture and sell his invention for a period of seventeen years. The arguments for this privilege are that it encourages inventions and induces capitalists to risk their capital in the development of new processes. The arguments against are that it leads to monopoly and that frequently the inventor does not receive the full rewards accruing from his invention.
2. *Copyrights*.—Authors have the sole right to publish their works for a period of twenty-eight years, after which time the copyright may be renewed for an additional twenty-eight years.
3. *Trade Marks*.—These are very important in foreign trade. The government guarantees a firm the sole right to the use of a distinguishing sign or name because it may have spent a great deal of money in advertising its particular brand of goods.

### QUESTIONS

- (1) Define economics. Give several reasons why economics is taught in your school and state in what ways its study has benefited you.
- (2) What is the difference between economy and economics?
- (3) "Economics treats of man in society." Explain fully the meaning of this statement.
- (4) Why do modern economists make men rather than goods the prominent thing in economic science?
- (5) Does economics teach people (a) how to become rich, (b) how to succeed in business? Justify your answer.

## CHAPTER II

### CONSUMPTION

**Definition.**—Consumption is the destruction of utilities for the purpose of satisfying human wants.

**Human Wants.**—Among human wants are *food, shelter, clothing, education and recreation*. The factors which determine these wants are:

1. *Imitation.*—If John Jones buys an automobile his neighbor will also want to purchase one.
2. *Education.*—The degree of education possessed by an individual determines the number of his wants. The more highly educated a person is the greater is the number of his wants.
3. *Advertising.*—“It pays to advertise.”—The more widely and wisely a product is advertised the greater will be the desire to purchase it.

**Utility.**—Utility is the want-satisfying quality of commodities. Utilities may be:

1. *Elementary.*—The want-satisfying power due to the *elements* of a commodity; e.g., raw materials such as iron ore, lumber, etc.
2. *Form.*—The want-satisfying power arising from the *particular form* of a commodity; e.g., a coat as contrasted with the cloth from which it was made.
3. *Place.*—The want-satisfying power due to the existence of the commodity at a *particular place*. Compare the value of oranges in New York City and in Florida.
4. *Time.*—The want-satisfying power due to the existence of a commodity at a *particular time*. Compare the value of ice skates in winter and in summer.