

Economics

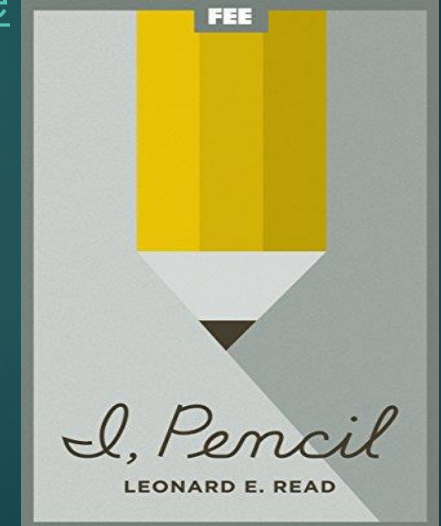
A BRIEF INTRODUCTION

SUMMER 2023



TASK

- ▶ [I, Pencil - Leonard E. Read | Animated version of great essay – YouTube](#)
- ▶ [I, Pencil Extended Commentary: Creative Destruction - YouTube](#)
- ▶ [Creative Destruction & The Law of Innovating Large Firms – YouTube](#)
- ▶ WATCH THE FIRST 2 VIDEOS ON “I PENCIL” AND THEN ANSWER THE FOLLOWING MCQ’S
- ▶ THEN WATCH THE VIDEO ON “CREATIVE DESTRUCTION & THE LAW OF INNOVATING LARGE FIRMS” AND ANSWER THE LONGER WRITTEN QUESTIONS



Multiple Choice Question 1

- ▶ **1. When two parties trade voluntarily, who “wins” and who “loses”?**
- ▶ a. The buyer wins and the seller loses
- ▶ b. The seller wins and the buyer loses
- ▶ c. Both lose
- ▶ d. Both win
- ▶ e. None of the above

Multiple choice Question 2

- ▶ **2. Prices, profits, and losses:**
- ▶ a. Enable rational economic calculation and guide entrepreneurial discovery
- ▶ b. Exploit the providers of labor and enrich the owners of capital
- ▶ c. Are nice to have if we produce efficiently but are ultimately unnecessary
- ▶ d. Can be harnessed by central planners to guide rational production

Multiple choice question 3

- ▶ **3. When a firm earns a loss, it is:**
- ▶ a. Wasting resources
- ▶ b. Using resources wisely
- ▶ c. Revealing an error by consumers
- ▶ d. In need of a subsidy
- ▶ e. None of the above

Multiple choice question 4

- ▶ **4. The knowledge necessary to make a pencil can be known by:**
- ▶ a. A knowledgeable central planner
- ▶ b. The CEO of the pencil company
- ▶ c . A very good economist
- ▶ d. The President
- ▶ e. No one

Multiple choice question 5

- ▶ **5. In a free market, you are cooperating with:**
- ▶ a. Only those immediately around you
- ▶ b. The person who buys what you're selling
- ▶ c. The person who sells what you're buying
- ▶ d. Practically everyone in the world

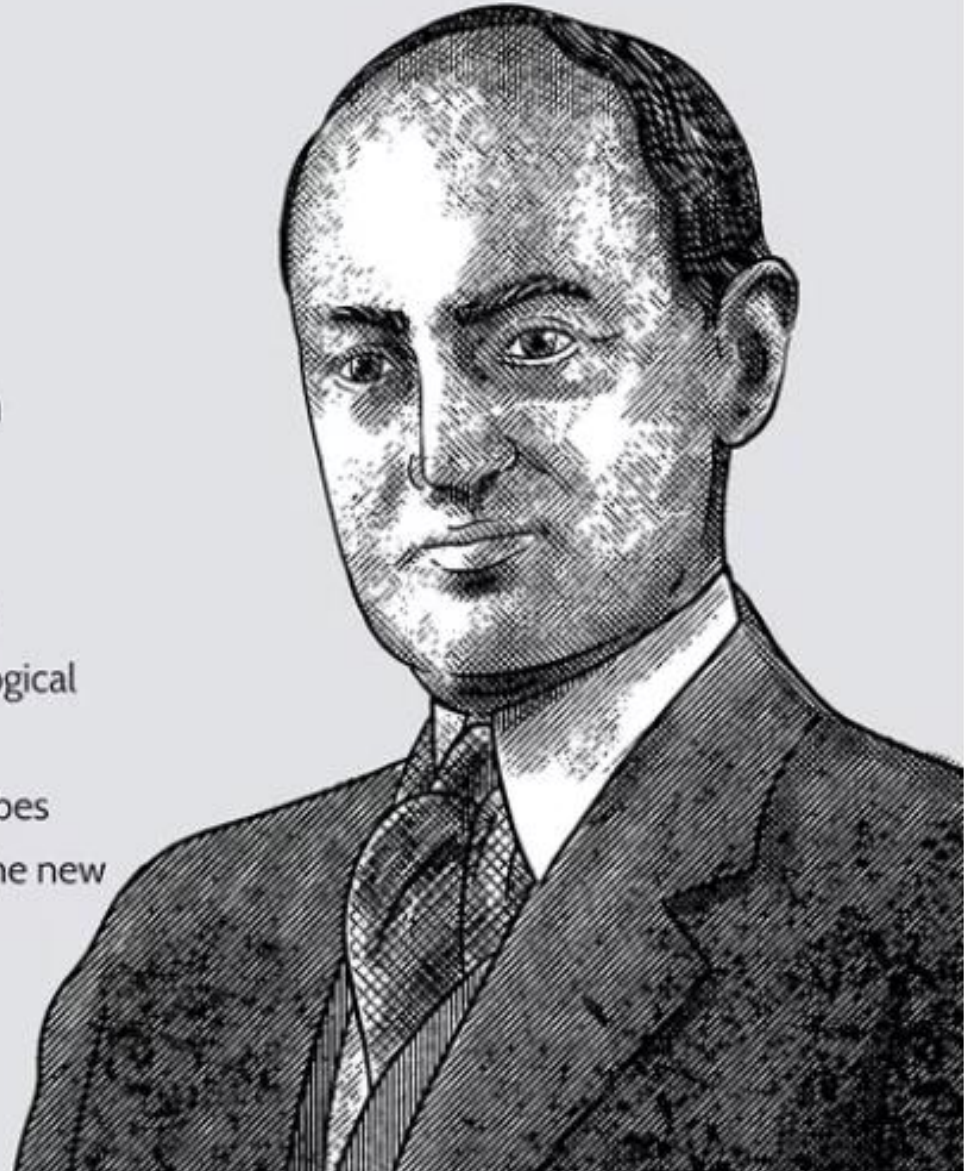
Joseph Schumpeter

Born: February 8, 1883

Died: January 8, 1950

Economist and Economist Historian

- Best known for his 1942 book "Capitalism, Socialism, and Democracy," the theory of creative destruction, and for offering the first German and English references to methodological individualism in economics
- Creative destruction, a term he coined, describes how the old is constantly being replaced by the new



Longer written questions

- ▶ 1. Explain what is meant by “Creative Destruction”
- ▶ 2. Briefly explain 3 examples of Creative Destruction
- ▶ 3. Explain Schumpeters’ Theory of Creative Destruction, with particular reference to the railways. Who benefited from the railroads, and what industries suffered?
- ▶ 4. With reference to print newspapers and the internet, explain the theory of Creative Destruction.
- ▶ 5. Based on your own research, find further examples of Creative Destruction. Give 3 examples of firms / industries that have benefited and 3 examples of firms / industries that have suffered as a result.
- ▶ 6. How does the UK economy as a whole benefit from Creative Destruction? What firms / industries do you think will benefit / suffer from growth in Artificial Intelligence (AI)?