Every society has an economy or economic order which is the institutionalized system for producing goods and services. Sociocultural evolution demonstrates how economies are determined by ecologies, cultures, evolution. Economic power is where people who own and control the means of production and distribution have power over those who do not.
Economic sectors

- Primary sector—the gathering or extracting of undeveloped resources, such as fishing, mining, forestry, agriculture. In socio-cultural evolution, the pre-industrial period.

- Secondary sector—the turning of raw materials into manufactured goods, such as cars, houses, furniture, processed food. In evolution, the industrial period.

- Tertiary sector—the provisions of services and information. In evolution, the post-industrial period.
Development

- Societies move from the development of primary sectors to secondary to tertiary. Technology, automation and competition create global economic development and social change.
Formal/Informal

- Formal sector—jobs which are measured and taxed; informal sector—jobs which are “off the books,” not taxed.
Specialization

- Economic development comes from the creation of surplus wealth.
- Surplus wealth creates the need for the specialization of work, or what we call the “division of labor.” 1850 U.S. Census recorded 323 occupations; 1980s recorded more than 20,000. Karl Marx thought increasing division of labor would lead to worker alienation from their work.

Specialization of labor led to professionalization—the need for “professionals” to do tertiary work.
Anomie

- Mechanical solidarity gives way to organic solidarity and the end result of organic solidarity may be individualism and anomie—a confusion which results when social norms are weak, absent, or conflictual; a lack of moral authority.
Economic system—Capitalism

- Capitalism is the economic system where the means of production and distribution are privately owned.
- Property if owned by individuals and corporations are regarded as individuals for legal purposes.
- Goal is pursuit of profit within market competition.
- Profit motive ensures worker incentives
  Competition keeps prices affordable
Laissez-faire government.

- In theory needs minimum government intervention
- Tendency to monopoly—a single firm dominating an industry or oligopoly—a few firms dominating an industry.
- Government intervenes against monopoly and seeks to regulate levels of production/consumption through fiscal policies which safeguard competition against monopoly.
- When economy gets out of balance and there is too much unemployment, government provides a “safety net.” See the history of the Great Depression.
Markets

- Markets determine what is produced, at what price, for which consumers.
- Market forces of supply and demand ensure production of best possible products at lowest possible prices. Businesses which are too inefficient or whose goods are too expensive are driven out.
Modern Capitalism

- Dominated by corporate capitalism—corporations which separate owners (stockholders) from managers (CEOs). Today thousands of stockholders who own stock in corporations.
- Conglomerates are giant corporations composed of other corporations.
Interlocking directorates

- Interlocking directorates are social networks of people who are on several different corporate boards. As much as 60% of manufacturing in U.S. is oligopolistic because a handful of firms control production of cars, etc.
MNCs or TNCs

- Multinational corporations are corporations which conduct operations through subsidiaries that it owns and controls throughout the world, although it is headquartered in one country.
- Economic neo-colonialism is where a foreign corporation has great input or control over a developing country’s economy. Involves exploitation of labor and/or material resources.
Socialism

- The economic system where the means of production and distribution are publicly owned.
- The state or political authority claims property on behalf of a population and hires workers accordingly.
- Production designed to meet social needs whether profitable or not.
- Goal to produce goods and services and achieve social equality by preventing accumulation of private wealth and class stratification.
Centralized government

- Government must regulate economy with long-term economic planning and national economic goals. Government may set artificial price levels or run industries at a loss to ensure equal distribution of goods and services. This means centralization.
Communism

- The economic system where the means of production and distribution are communally owned.
- There is no government, no state.
- Marx predicted the “withering away of the state” after a “dictatorship of the proletariat”
Mixed Economies

- A state sponsored “safety net” led to the creation of social programs like unemployment insurance, universal health care programs, welfare, universal pre-school/child care, etc. which means some see as forms of socialism.

- Democratic socialism is where the economy is capitalist, but the government has “socialist” type programs, esp. Scandinavian countries.

- China’s market socialism is where the economy tries to mix elements of capitalism and privatization with state planning and long-term goals.

- Convergence occurs when elements of socialism and capitalism combine.
Ideal vs. Real

- Too much socialism led to over-centralized planning and inefficiencies, shortages, imbalances in supply and demand. Led Soviet bloc to lose political legitimacy and realities of economy led to downfall of state.

- Too much capitalism led to global developments where rich get richer, poor get poorer both within countries and between countries. Creates huge disparities in standards of living and economic development.
The Key

- Key to remember: While socialist systems may distribute wealth more evenly than capitalist ones, they are less efficient in creating wealth in the first place. The question is where comes the balance?
Theories

- Functionalist—economy helps society adapt to environment by efficient production of goods & services
- Conflict—economy is inherently unstable, producing class conflict and inequality
- Symbolic interaction—economies are created and maintained through informal and formal socialization processes