

# ***ECONOMIC INFLUENCES***

According to Dr. D.

1. Economics is influenced by the following factors in my ever so humble and correct opinion.
2. History repeats itself.  
Economics is history - used to forecast results  
Economics is cyclic ~ 23 years
3. Definition  
Negative – allocation of scarce resources  
Positive – maximizing wealth
4. Competitors for your wealth – you, employer, government  
Why does a company hire you? Make a profit.  
Need a 3X return
5. What are taxes, fees, and inflation?  
Converting your wealth to government wealth  
What are responsibilities of government? Where do you find that?
6. Science of economics  
Calculus – maximize wealth, minimize transfer  
Physics – immutable laws – action reaction  
Sports – what is one ingredient between winners and losers? Attitude  
Personality - perseverance
7. Triad principle  
Any item that can be uniquely identified can be further explained by three components  
Three legged stool – required for stability
8. Engineering – trade-off between money, quality or performance, and time  
Management – optimizing people, money, and technology  
Cannot maximize all three
9. Wealth v affluence – on going v now  
Is a person making \$100K / year from a salary wealthy or affluent?  
Pitzer –  $W=PT^n$   
Durham –  $E=\$ Q/t$
10. Going to talk about \$ - does that make you uncomfortable?  
Paid in proportion to problems you solve  
Little problems = little pay (McD)
11. People are where they are because of choices they make.  
Not about fair or deserve  
People make whatever money they decide they can make – no more
12. Pareto – engineer in Italy, 1880  
80/20 rule  
Progression is 5% (20% of 20% ≈5%)& 1% (20% of 5% =1%)
13. Business does not pay taxes.  
Why does business exist? Maximize shareholder wealth.  
Expect minimum 15% return (profit) to pay the investor that put up money.
14. Price = Material cost + People cost + Government cost + Return<sub>K</sub>  
If the business does not make the return then they quit.  
Materials ≈ people
15. The semester will be to determine
  - a. present, future, and annuity worth or value

- b. the rate of return (ROR)
- c. if the project should be done

16. Economics determined by

- a. market place – observable
- b. costs – controllable
- c. politics – uncontrollable

17. Civics

Declaration of Independence –

Provide for “unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness”

Constitution Article 1.8

The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the Debts and provide for the common Defence and general Welfare of the United States; but all duties, imposts and excises shall be uniform throughout the United States.

18. Inflation - cost increases with no value increase

Caused by government policy – spending more money than have

Energy is now the constant that shows the increase

Energy cost related to gold with a lag

19. Tax payers – source IRS ( [content.kiplinger.com/features/archives/2006/10/income.htm](http://content.kiplinger.com/features/archives/2006/10/income.htm))

BREAKDOWN OF INCOME AND TAXES PAID  
BY CATEGORY

Income Category	2004 AGI	Percent of all income	Percent of income taxes paid
Top 1%	Over \$328,048	19%	37%
Top 5%	Over \$137,500	33%	57%
Top 10%	Over \$99,111	44%	68%
Top 25%	Over \$60,040	66%	85%
Top 50%	Over \$30,121	87%	97%
Bottom 50%	Under \$30,121	13%	3%

20. As a new graduate you are wealthy

Top 20% of income earners

21. Politics three legs

- a. social
- b. economic
- c. defense

22. Political philosophy

- a. liberal – take wealth
- b. conservative – build wealth
- c. libertarian – keep out, leave me alone

23. Independent – no such thing

- a. Not an option
- b. Going one way or other
- c. Uncommitted – like trying to decide if you male or female

24. Politics – not about party

About power and influence

Get power by taking from one group and giving to another

## Quiz

- a. Do you expect to be a millionaire?
- b. What is your political philosophy?
- c. What is your political party orientation?

## Economic News Memos

- a. Report on an economic news event using one sentence
- b. In another statement identify who benefits, who does it cost, how does it impact you?
- c. Give the date & time of your information.
- d. State the source –Bloomberg.com, Kiplinger.com, FoxNews, KRMG, Name of paper, etc.