University of Colorado at Boulder
Department of Economics

Spring Semester 1981
Mini-Course No. 432

UNEMPLOYMENT AND BUSINESS CYCLES:
PRIME CAUSES AND PREVENTIVE MEASURES

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Starts Wednesday, January 21, 9:00 - 9:50, Economics, Room 119


5. Test: Unemployment and cycle theories of the past. (Counts for one-third of the final grade.)


7. The Allocation of Profit Margins to Successive Enterprises: The free operation of the price mechanism ensures the equilibrated allocation of profit margins. Impediments cause profit margins to become distorted. Distorted profit margins preclude the equation of supply and demand. Static and dynamic S & D equation. The concept of velocities and synchronization. Chronic S & D disparities impair the efficiency of consumer service. The businessman's dilemma: Profit maximization Vs. S & D equation.

8. Chronic S & D Mismatches, Economic Stagnation, and Unemployment: The commercial assembly line. Conflicting S & D velocities, by reducing the volume of consumer goods, waste purchasing power; and by increasing unit costs, generate sales resistance. Hence, an underlying tendency toward economic stagnation. This is aggravated by amplifying elements into mass unemployment.
9. Chronic S & D Mismatches, Economic Instability, and Business Cycles: Conflicting S & D velocities could continue indefinitely were inventories infinitely elastic. Inventory constraints convert conflicting speeds into inflationary or deflationary price movements. Hence, an underlying tendency toward economic instability. This is aggravated by amplifying elements into business cycles.

10. Test: The profit-motivation theory of unemployment and business cycles. (Counts for one-third of the final grade.)

11. Recapitulation: The law of business motivation. Clues toward prevention. The theory provides two clues: (a) Promote vertical integration; or (b) Promote production and distribution to order. Since, however, both would mean a return to the past and are scarcely practical, measures more in keeping with modern mass production and distribution methods, need to be designed. Two basic preventive principles.


13. The Advance Order Service, and Production for Replacement: New opportunity for the consumer to place an order in advance at a saving. Under production for replacement, simple method, the consumer no longer has to wait for future delivery. He pays for a unit ordered in replacement of that which he receives. Under the compound method, this stratagem is repeated at all stages, permitting a normal flow of goods.

14. The Synchronized Pricing Policy, and the Open Price Contract: The synchronized pricing policy consists of selling goods at prices based on replacement costs, and of increasing the frequency of reorders. The latter is facilitated by the use of the open price contract. It comprises a permanent-type instrument spelling out general contractual provisions, plus a succession of purchase orders specifying quantities, delivery dates, and prices.

15. Final Test: Preventive measures. (Counts for one-third of the final grade.)