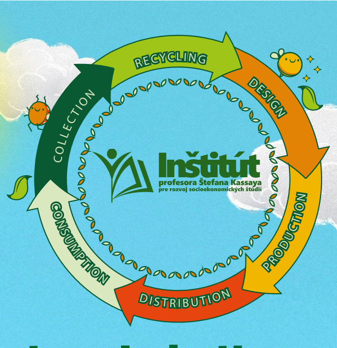

Market cycle in the system of Economics

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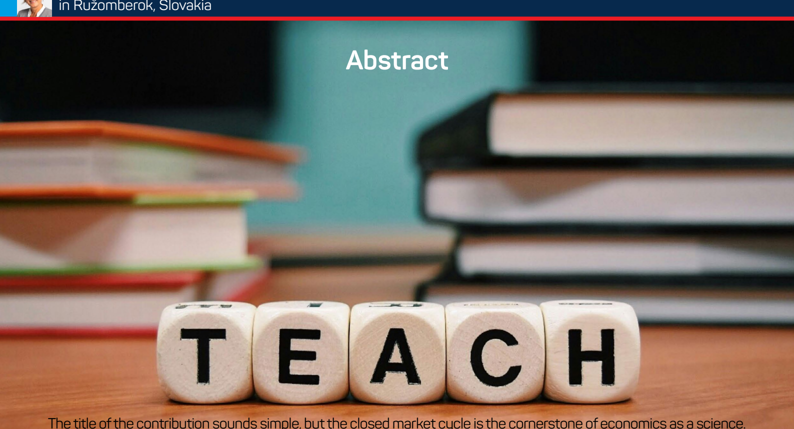
Abstract



The title of the contribution sounds simple, but the closed market cycle is the cornerstone of economics as a science. Households have existed for millions of years, businesses, the market for goods and money for thousands of years, but the market cycle began to close only about three centuries ago. Through the process of bourgeois revolutions, the condition for its closure was fulfilled – the freedom of every single person. Economics „only" explains the system in which we live. Children perceive this system from an early age and wait to learn about it at school. They meet the basics of economics in civics in the 9th year of elementary school, or in the 4th year of eight-year high schools. 35 years after the „gentle revolution", after the closing of the market cycle even in the territory of Slovakia, they still don't learn about it. The purpose of the contribution is to help all teenagers as well as their teachers to understand the system in which they live in a simple way. It is a basic assumption of the rationality of their daily decisions.

Keywords: Economics; Market cycle; Education.
Article Classification: Research article.

Introduction

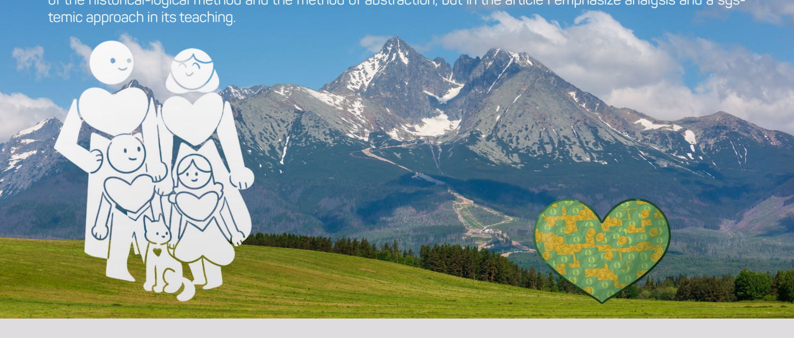
In 2023, I published a book - a professional monograph, Your Economics, which explains this science in a simple, comprehensible way and with love. It was illustrated by our daughter Mária Magdaléna, who was also a ninth-grade elementary school student. During one of the many discussions, she asked me: "Mom, why don't we learn these things in school?" I picked up her Civics book. I found a lot of valuable, important and correct knowledge in it. I am grateful to all those who try to help our children understand the system in which they live, despite the fact that they themselves had nowhere to learn about economics. On the other hand, I really miss "order" there. Everyone also starts learning anatomy with the human skeleton. The framework of economics is a closed market cycle, and I found only half of it in the civics textbook, i.e. only the goods market, even if the labor market is written about in another part of the textbook. When children in biology learn about any part of the human body (muscles, heart, digestive, excretory system, etc.), they always start with the skeleton and have it in front of their eyes during further study. They can imagine what part of the body they are learning about and how that part is functionally connected to others, why it is important to know. This is missing in the teaching of the basics of economics in schools.

Children learn a lot of correct knowledge, but they do not understand the system, why they should learn it, how the individual knowledge is related to each other. For many years I have heard them say that economics is just a set of lessons to be learned and best quickly forgotten. When they are already learning about businesses, about concrete things that they can imagine, it gives them sense, logic. I admit that it is also the fault of us economists. In an effort to help and contribute to the improvement of the education of our children, I approached the co-author of the standards of the state educational program in the educational field of Man and Society, Mr. Prof. Andrej Rajský from the Pedagogical Faculty of Trnava University and we agreed on mutual cooperation. One of the outputs is this contribution. The goal of the state is to clarify and emphasize the importance of a closed market cycle for the teaching of the basics of economics in all schools.

Primary school teachers did not study economics, they had no way to learn relevant knowledge about the system in which they live. When we capture the "hearts of children" and arouse in them a passion for learning, because they wake up every morning to the "Laboratory of Economics", we can expect the fruits of their responsible decision-making and behavior in the future. Therefore, the teaching of economics within civics cannot be "just" a supplement, a kind of necessary evil, with which it is necessary to "burden" students. Teachers are the ones whose hearts must first be set on fire for this science, they must be internally deeply convinced that they understand the system in which they live, even if almost all of them do not "spin" in the market cycle, they are employees of the public sector. The contribution not only help students as well as their teachers to understand the system in which they live in, but it improves economics as a science. A closed market cycle puts into a system in which, in addition to the government as a traditional market entity, the central bank is incorporated as a key element of the financial market.

Material and methods

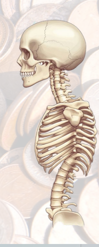
The basic material is knowledge and experience gained over 30 years. In the list of used literature, there are sources that I managed to read in addition to building a "household" company (I am a mother of four children), working at the university and running a business. I return to many of them repeatedly. The key material is the professional monograph Your Economics (2023). I explain the economic system in which we live in a simple way. The quality and impact of our daily decisions depends on its knowledge. I illustrated the importance of a systemic approach in teaching economics in the article Anatomy and Economics (Piteková, 2024). The contribution "Market Cycle" logically follows on from both of these works. I also "test" the interest of pupils and students with short educational videos on the social network TikTok. Thousands of views assure me that the demand among young people is huge. They instinctively feel the importance of the knowledge of this beautiful science. Economics makes the most use of the historical-logical method and the method of abstraction, but in the article I emphasize analysis and a systemic approach in its teaching.



Analysis of the Civics textbook for the 9th year of elementary school and the 4th year of grammar school with an eight-year study

Authors – Mgr. Helena Kopecká and Mgr. Erika Muchová – in the introduction, they explain that the textbook contains compulsory as well as supplementary subjects. The compulsory curriculum – Economic life in society – consists of basic economic concepts, information about business, and they add that these are important knowledge for acquiring financial literacy. The extension curriculum is based on the National Standard of Financial Literacy for primary school students and helps to orient oneself in the field of functioning of banks, insurance companies, savings banks, etc. The first chapter is devoted to the subject of Needs and goods, and the second to the production process. It is not emphasized that the key element is the person and his decision-making from the position of the household as well as the company. He satisfies his needs as a household, but he has to obtain the resources to buy them by offering his work. On the other hand – businesses – buy on the labor market and offer on the goods market. The same person is also a member of the household, but can also be part of a private enterprise. It is necessary to explain this very sensitively to children and to lead them to be responsible for their social status from the very first moment. It is important to be "financially literate", to know how to manage money rationally, but first it is necessary to get it!

Only in the third chapter do they deal with the concepts of economics and economy, basic economic questions and types of economies. All information is correct, generally accepted, but evokes the classic "bullet point and memorization" type of learning. The most important thing – the skeleton of the economics – the market mechanism – comes only in the sixth chapter. Unfortunately, in the half version, or like a "skeleton up to half the waist", or as if we teach children in kindergarten that there are only two seasons – spring and summer. Diagram of the market for goods and services, households and individuals on the demand side and firms, businesses on the supply side. This market is 3-8 thousand years old, but economics as a science is only 250 years old. How is this possible? It was only after the process of bourgeois revolutions that it closed and the market cycle could begin to function as the alternation of seasons. All four, of course. I see opportunity for revision and addition in this part of the textbook.



Chapters 7-10 deal with business, entrepreneurship, types of companies, business management. Valuable and interestingly presented information, many in the field of law. It is good if students already know this in elementary school, but it would be even better if they learn it with enthusiasm and interest, because it is exactly what they will need in life, what they simply cannot avoid. Subsequently, the textbook discusses the concepts of consumption and consumer. Household consumption is what answers the question of WHAT to produce, and if a business does not respond to household demand, it cannot succeed in the market. There are the same people on both sides! From the textbook, it sounds as if this topic is just another in the sequence, the connection to the "skeleton" is not explained there. Right behind private consumption is, as it were, equivalent public consumption, but a functioning market cycle generates resources – taxes – to finance public consumption – army, police, courts, education, healthcare, etc.

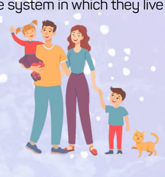
Money, banks, savings banks, insurance companies - they only start at the end of the textbook. At the same time, money has a history of several thousand years and conditioned the development of the market. Financial institutions as we know them now have a very short history, much like economics as a scientific discipline. Building savings bank, social insurance company, mortgage loans - this will not tell students much without understanding the economic system, the market cycle in the micro and macro sphere, they will not understand the essence. After all, it doesn't even matter in the end, she is "just" a Civics.

The expanding curriculum only covers products and services of banks, personal finance, including the state budget, taxes, consumer protection in the European Union. It is very valuable and commendable that the "oligopolistic structure of the financial sector" invests time and money in financial literacy education. They are very important walls of the "house of economics", but this house will collapse very easily if it does not have a solid foundation. These basics are precisely the understanding of the closed market cycle, which of course also includes the flow of money.

Results

I offer a summary of basic postulates, a "skeleton" on which we can hang all economic categories and concepts. Even in the home, we have a space where we store shoes, dirty laundry, clean dishes, clothes, food… if we had it all in one pile, it would be very difficult for us to live. Just as it is good to have a system, order in the home, so it is necessary to do the same in the economics. In this I see the benefit of my long-term study, observation, research. For clarity, I will comment on the following points:

1. The basis of every company, every household, every business is a person. A person who makes decisions every day. As each of us is an economist, because we have to satisfy our daily needs from limited resources, economics also concerns all teachers and students. The teacher must be convinced that economics is also about his life, and it will be easier to explain to the students that understanding the system in which they live is vitally important for them.



2. Every person is a part of a household, even if it is only one person. If he wants to buy goods on the market, he must have something to pay for. Parents take care of meeting the needs of children, but in adulthood they themselves will offer their work on the market of production factors.

3. Already millennia ago, as a result of the division of labor, the goods market was formed, the first businesses, usually family-owned, were created. The craft was traditionally passed down from father to son, goods were exchanged, money was created, but in the conditions of a slave and feudal society, the condition of freedom for each and every person was not fulfilled, the labor market could not be formed.

4. After the process of bourgeois revolutions, with a functioning labor market, the market cycle was closed and could start spinning. The result? Even in 3000 years of life, the biblical Methuselah would not have experienced such a change in living standards as e.g. me for the past 30 years. Adam Smith described these changes in about 900 pages, and his work The Wealth of Nations (1776) became the basis for the emergence of economics as a science.

5. At this moment, the time is ripe to introduce a closed market cycle. You can find a detailed explanation of the principles of its operation in the book Your Economics (Piteková, 2023).

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6. It is important to realize that the same person thinks differently depending on which side of the market he is on. As a household, I and my family would like to pay EUR 20 per night in a luxury hotel, but as a business woman, I would like to rent our apartments in the off-season for EUR 200 per night. From the position of a household, I am on the demand side of the goods market, but from the position of a company on the supply side. In the labor market – the lower semicircle – it is the opposite. I would like to give lectures (job offer) even for 1000 euros per hour, but for cleaning apartments (demand for production factor work) I would like to pay 5 euros per hour. But we are still talking about the same person, in two markets and in four different situations.

7. In Slovakia alone, we have almost half a million public sector employees and 1.5 million pensioners. All of them are part of a household, but few of them are part of a private enterprise. The standard of living of this very large group of people depends on redistribution processes of the state budget. The revenues of the state budget are primarily taxes, which are "turned up" by the market cycle. Of course, each of us participates in the creation of state budget revenues by buying one roll, because the price includes value added tax. Well, here we are getting lost, confused. It needs order, a system that I offer and explain in Your Economics (2023), but also in the Reflexie magazine in the article "Anatomy and Economics" (Piteková, 2024).

8. Just as we go round and round in a closed market cycle, so I will go back to the beginning again. The alpha and omega of the economic system is man. An ordinary good person. Goodman, the main character of the book Your Economics. It is neither a market system, nor a market entity, nor demand, supply, money, government, but man. His decisions, his responsibility. What is in the first place in the eyes of every teacher – a child, a person, a "sponge" that hangs on our lips and that we have the honor to shape, so exactly the same person is the cornerstone of the economic system of every society. I really appreciate the name of the module in the state educational program – Human and Society. A person who lives in a society based on the freedom and responsibility of each of us, in a system that needs to be understood.

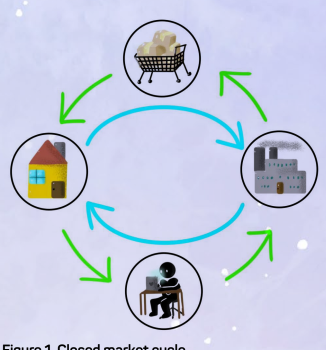

Figure 1. Closed market cycle
Green arrows – goods market (upper arch) and labor market (lower arch), Blue arrows – money circulation.
Source: © Piteková, 2023

Figure 2. Order (system) in economics
A – market cycle, B – financial market, C – government.
Source: © Piteková, 2023

Discussion

I wrote the contribution with the aim of sharing the "fruit" of thirty years of studying and teaching economics. I want to help teachers, students and all people of good will to understand and understand the system in which we live. The basics of economics can be implemented from preschool education. In elementary school, economic principles can be explained in several subjects. There is a space for joint project activities of teachers and economists. I am convinced that when teachers correctly understand the basic principles of economics, the functioning of the market cycle and the A-B-C system, they will discover a way to naturally touch the hearts and minds of students within their subjects. In addition to student motivation, the reform of the education system also emphasizes "soft skills". We teach children to understand their decisions, perceive their positives and negatives, process them emotionally. Even before this, however, there must be an understandable and simple explanation of the system in which all these decisions are made. Embedding the market cycle into the system of economics will help to better understand the relationships between households, private businesses, the central bank and the government. This is a unique contribution to economics as a science.

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