# **Indiana Wesleyan University**

# **Department of Economics**

**ECO211-A Introduction to Economics**

**M, W, F: 7:50 – 8:45 a.m.**

**Maxwell Center, Rm. #121**

**Fall Semester 2021**

Professor: T. Lehman, Ph.D. Marion, IN

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**Office Hours:** MWF 10:00 AM – 1:00 PM; TR 11:00 AM – 12:00 PM, Room # 201-L, Maxwell Center (by appointment)

**Primary Course Text:** Gwartney, Stroup, Sobel & Macpherson, *Macroeconomics: Private and Public Choice,* 17th ed. South-Western/Cengage Learning, 2022.

**Supplemental Course Texts** (required):

* Russell Roberts, *The Price of Everything: A Parable of Possibility and Prosperity.* Princeton, NJ: Princeton University Press, 2008. <http://www.invisibleheart.com/about.php>
* Jay W. Richards, *Money, Greed, and God: Why Capitalism is the Solution and Not the Problem*. New York, NY: Harper One, 2009.

**Course Description:** An introduction to the principles essential to an understanding of fundamental economic problems and the policy alternatives to contend with these problems. A special emphasis is placed upon macroeconomic topics including national income, employment, fiscal policy, money and monetary policy, and American economic growth.

**Course Objectives:**

*Economics provides a set of tools for understanding, predicting, and evaluating individual choices and collective resource allocation under scarcity. Upon successful completion of this course, students should be able to:*

1. Explain why it is important to study economics, and choose appropriate models to evaluate choices, outcomes, and policies in diverse settings subject to the constraints of scarce resources
2. Explain how economists use the scientific process to expand understanding of individual decision-making, market outcomes, and government policies in a world of scarcity
3. Employ quantitative reasoning skills by working with equations and graphs, and explain the need for logical and empirical methods that distinguish causation from correlation
4. Identify the assumptions underlying models, and connect those assumptions to specific theoretical results and/or observed conditions
5. Explain market prices and the role of supply and demand in determining prices and quantities of goods/services
6. Identify the negative effects of certain government policies using the supply and demand model: rent ceilings, minimum wage laws, taxes, and trade barriers
7. Define Gross Domestic Product and explain the behavior of real GDP over the business cycle
8. Identify the costs and consequences of unemployment and inflation
9. Define fiscal policy and explain the effects of both expansionary and contractionary fiscal policy
10. Explain the nature of money and the role of the banking system in the macroeconomy, and the structure and role of the Federal Reserve Board and System
11. Identify the institutional causes of long-run economic growth and “the wealth of nations”
12. Describe the gains and benefits from free trade, and the costs and harm of trade restrictions
13. Compare the fundamental assumptions of economic science to prescribed Christian social ethics
14. Identify the benefits of free markets in promoting and enhancing living standards around the world, and develop a passion for using economic literacy to promote and restore a free market economy

**Course Focus and Overview**

***Unless shown otherwise, it will be assumed that all students in this course truly wish to learn the course material and achieve the course objectives.***

This course is designed to give the student 1) an introduction into economic principles and macroeconomic concepts, 2) an appreciation for economic insights into business and social problems, and 3) a firm understanding of the laws of economics that govern our lives. Elements of this course include textbook readings (primary and supplementary), exams, and thorough class notes on lecture and discussion material. Class lecture and textbook readings, as well as any topics covered in ancillary activities, are all subject to testing and assessment.

**Attendance Policy**

Due to the pace and depth of this course, students are expected and required to be in class. Being in class for participation in lectures and discussion will be of extreme benefit to students in understanding economics. Students will be allowed three (3) unexcused “courtesy absences” during this course. Each unexcused absence beyond these three will result in a two-percentage point reduction in the student’s final course grade. (For instance, if the student’s raw final grade is an 86%, but the student took five unexcused absences, the resulting final grade would be an 82%.) Attendance will be taken at each class session. There will be no exceptions to this policy. If you are involved in extracurricular university-sponsored activities and events that will require you to take an excused absence from class (i.e., athletics, University Chorale, etc.), please notify me in advance, and bring evidence of your involvement in the form of a note from your sponsoring professor.

Tardiness to class will also impact a student’s grade. A student will be considered tardy if they arrive to class at any time after the official class start time. Two (2) tardies will be counted equivalent to one (1) absence, and, if accumulated, will have the same impact on a student’s final grade as absences mentioned above. **Please be to class on time each day.**

DO NOT get up and walk out of class unless you experience a genuine emergency. Leaving class to use the restroom or answer a phone call is disruptive to your fellow classmates and disrespectful of the academic learning environment. **Please attend to all personal business before class begins!**

If you anticipate being absent or tardy, or you expect to need to leave class early, please notify me in advance and I will be happy to work with you.

MISSED EXAMS WILL NOT BE MADE UP. You must complete the exams by the date and time deadlines specified in this syllabus and on Brightspace online. Special exceptions will be granted ONLY for *excused* absences resulting from severe illness (i.e., hospitalization).

### MEANS OF ASSESSMENT

### Exams (700 points) – Brightspace online “quizzes”

There will be three (3) exams administered through Brightspace “quizzes” during this course. Exams #1 and #2 will consist of a combination of multiple choice questions plus several essay questions. The multiple choice questions will cover lecture and textbook content, while the essay questions will cover supplemental textbook readings beyond the primary textbook (see below for details and description). Exams #1 and #2 will each be worth 200 points. The final exam (exam #3) will be comprehensive and will be worth 300 points (*100 multiple choice questions only, no essay questions on the final exam*).

**Please note that each part of each exam will need to be completed in approximately 1 hour. Completion of 100 multiple choice questions plus several essay questions will be difficult in the time allotted unless the student knows the material dead-on “cold.” If students carefully and meticulously review their lecture notes and textbook readings prior to taking the tests, they will be able to complete the 100 multiple choice questions easily and quickly, and then move on to the essay questions, completing both sections of each exam within the specified time limit.**

#### Summary of exams

* Exam #1: due 11:00 pm Wednesday, October 6, Brightspace online; 100 multiple choice questions**, plus essay questions on Roberts** supplemental text – 200 points
* Exam #2: due 11:00 pm Monday, November 22, Brightspace online; 100 multiple choice questions**, plus essay questions on Richards** supplemental text – 200 points
* Exam #3 (final exam): due **10:00 am** Tuesday, December 14, Brightspace online; 100 multiple choice questions – 300 points

Exactly one half (50%) of the point values for Exam #1 and Exam #2 will be comprised of the multiple choice questions, and the remaining one half (50%) will be comprised of the essay questions from the supplementary textbook. Thus, the multiple choice questions from the primary textbook and the essay questions from the supplementary textbooks will be equally weighted on Exam #1 and Exam #2. (There will be no assigned supplemental reading or essay questions for the final exam.)

### Summary of Assignments and Point Values

##### Exam #1: 200 points (MC = 100, essay = 100)

Exam #2: 200 points (MC = 100, essay = 100)

Final Exam: 300 points (MC = 300, no essay)

Plus extra credit (see below) ?

###### Total: 700 points

## Grading Scale

Grades will be based upon points earned in completing course assignments (see above for point values for each assignment). The points-based grading scale that equates to the above point values will be as follows:

A 665-700 points (95-100%)

***If you show me that you genuinely care about learning economics, I’ll show you that I genuinely care about your final grade….***

1. 650-664 points (92-94%)

B+ 623-649 points (89-91%)

B 595-622 points (85-88%)

1. 574-594 points (82-84%)

C+ 553-573 points (79-81%)

C 525-552 points (75-78%)

1. 504-524 points (72-74%)

D+ 483-503 points (69-71%)

D 455-482 points (65-68%)

F less than 454 points (64% and below)

**Laptop computer policy**

No laptop computers or smartphones permitted in use at any time in the classroom. Period. No exceptions. Students found in violation of this policy will lose two percentage points per occurrence from their final course grade. Both experience and published research indicate that the in-class use of laptop computers and other electronic devices (even if used for note taking) are more of a distraction ***cost*** than a learning ***benefit***.

**Opportunities for Extra Credit or Bonus Points**

From time to time throughout the course, there will be opportunities to earn bonus points by writing brief essays or by correctly answering questions about the current state of the economy such as the most recently released statistics on: the growth rate in real GDP, the unemployment rate, the inflation rate, or the rate of growth in labor productivity, etc. These opportunities will occur unannounced immediately at the beginning of some class sessions (like a “pop-quiz”), and it will be up to students to know these important economic statistics in advance of the class session if they wish to earn these extra credit points. ***Please note: you must be present in class on the days of the extra credit questions to receive bonus points. No exceptions.***

Students may easily learn about these economic statistics by reading economic periodicals and newspapers (such as the *Wall Street Journal*), by watching economic reports on news channels (CNBC, Bloomberg, CNN, FOX Business, MSNBC) and by reading online news articles related to macroeconomic topics such as those found at [www.briefing.com/calendars/economic](http://www.briefing.com/calendars/economic), [www.economy.com](http://www.economy.com) or <https://fred.stlouisfed.org/>. Each opportunity will be worth 5 extra credit points. The number of opportunities is unknown and will depend on the timing of the release of these economic statistics during and throughout the semester. The goal of these extra credit exercises is to encourage you (i.e., *provide you with an incentive!*) to develop the habit of paying attention to economic reports and current events, then processing and applying the knowledge you learn in the classroom to the information and events you are exposed to in the world.

**Course Structure**

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| **Date** | Gwartney et al.  **(primary text)** | **Lecture topics** | **Reading Schedule for Supplemental Texts** | **Exams** |
| Friday, Sept. 3 |  | Introduction |  |  |
| Monday, Sept. 6  ***Labor Day*** |  |  |  |  |
| Wednesday, Sept. 8 ***Academic Convocation*** | Chapter 1 and <https://mises.org/wire/carl-menger-explains-nature-goods> | The Economic Approach: What is Economics? Eight Guideposts to Economic Thinking |  |  |
| Friday, Sept. 10 | Chapter 1  (continued) | The Economic Approach: Positive and Normative Economics; Pitfalls in Economic Thinking | Roberts, Chs. 1-2 |  |
| Monday, Sept. 13 | Chapter 2 and <https://mises.org/wire/what-purpose-economy-carl-menger-explains> | Tools of the Economist: Opportunity Cost, Trade, and Property Rights |  |  |
| Wednesday, Sept. 15 | Chapter 2  (continued) and Addendum | Tools of the Economist: The PPF and the Gains from Trade; Comparative Advantage | Roberts, Ch. 3 |  |
| Friday, Sept. 17 | Chapter 2  (continued) | Economic Organization: Markets vs. Political Planning | Roberts, Chs. 4-5 |  |
| Monday, Sept. 20 | Chapter 3 | The Law of Demand; Demand Schedules and Consumer Surplus |  |  |
| Wednesday, Sept. 22 | Chapter 3  (continued) | Price Elasticity of Demand; Shifting Demand Curves | Roberts, Chs. 6-7 |  |
| Friday, Sept. 24 | Chapter 3  (continued) | The Law of Supply; Supply Schedules; Shifting Supply Curves | Roberts, Chs. 8-9 |  |
| Monday, Sept. 27 | Chapter 3  (continued) | How Market Prices are Determined: The Interaction of Supply and Demand; Changes in Supply and Demand, and the Invisible Hand Principle: “I, Pencil” |  |  |
| Wednesday, Sept. 29 | Chapter 4 | Supply and Demand Applications: Price Controls and Rent Ceilings | Roberts, Chs. 10-11 |  |
| Friday, Oct. 1 | Chapter 4  (continued) | Supply and Demand Applications: Price Controls and Minimum Wage Laws | Roberts, Chs. 12-13 |  |
| Monday, Oct. 4 | Chapter 4  (continued) | Supply and Demand Applications: The Impact of a Tax; Tax Incidence; Tax Rates |  |  |
| Wednesday, Oct. 6 | Chapter 7 and Addendum | Taking the Nation’s Economic Pulse: GDP (Gross Domestic Product) | Richards, Introduction and Ch. 1 | Online Brightspace Exam #1 due 11:00 pm: Chs. 1-4; Roberts *The Price of Everything* |
| Friday, Oct. 8  ***Fall Break*** |  |  |  |  |

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| **Date** | Gwartney et al.  (primary text) | **Lecture topics** | **Reading Schedule for Supplemental Texts** | **Exams** |
| Monday, Oct. 11 | Chapter 7 and Addendum  (continued) | Taking the Nation’s Economic Pulse: GDP (Gross Domestic Product) | Richards, Ch. 2 |  |
| Wednesday, Oct. 13 | Chapter 8 | Economic Cycles and Unemployment; The Unemployment Rate, Types of Unemployment |  |  |
| Friday, Oct. 15 | Chapter 8  (continued) | Economic Cycles and Inflation: Actual and Potential GDP, Effects of Inflation | Richards, Ch. 3 |  |
| Monday, Oct. 18 | Special Topic (see Brightspace link for access to assigned PowerPoint slides) | Earnings Differences Between Men and Women (PowerPoint slides only, no textbook reading assigned) |  |  |
| Wednesday, Oct. 20 | Special Topic (see Brightspace link for access to assigned PowerPoint slides) | Poverty and Income Inequality (PowerPoint slides only, no textbook reading assigned) | Richards, Ch. 4 |  |
| Friday, Oct. 22 | Special Topic (see Brightspace link for access to assigned PowerPoint slides) | Poverty and Income Inequality (PowerPoint slides only, no textbook reading assigned) |  |  |
| Monday, Oct. 25 | Chapter 9 | Introduction to Macroeconomic Markets: Circular Flow, Aggregate Demand |  |  |
| Wednesday, Oct. 27 | Chapter 9  (continued) | Introduction to Macroeconomic Markets: Aggregate Supply and AD-AS Equilibrium | Richards, Ch. 5 |  |
| Friday, Oct. 29 | Chapter 9  (continued) | Introduction to Macroeconomic Markets: Resource and Financial Markets |  |  |
| Monday, Nov. 1 | Chapter 10 | The AD-AS Model and Shifts in the AD and AS Curves |  |  |
| Wednesday, Nov. 3 | Chapter 10  (continued) | The AD-AS Model: Unanticipated Changes and Market Adjustments to Long-Run Equilibrium |  |  |
| Friday, Nov. 5 | Chapter 10  (continued) | The AD-AS Model and Booms and Bust | Richards, Ch. 6 |  |
| Monday, Nov. 8 | Chapter 11 | Fiscal Policy: The Keynesian View |  |  |
| Wednesday, Nov. 10 | Chapter 11 (continued) | The Keynesian View |  |  |
| Friday, Nov. 12 | Chapter 11 (continued) | The Keynesian View;  Fiscal Policy, Incentives and Secondary Effects: Crowding Out | Richards, Ch. 7 |  |

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| **Date** | Gwartney et al.  (primary text) | **Lecture topics** | **Reading Schedule for Supplemental Texts** | **Exams** |
| Monday, Nov. 15 | Chapter 12 | Fiscal Policy, Incentives and Secondary Effects: Long- vs. short-run analysis; incentives and “crowding out” | Richards, Ch. 8 |  |
| Wednesday, Nov. 17 | Chapter 12  (continued) | Fiscal Policy, Incentives and Secondary Effects: Long- vs. short-run analysis; incentives and “crowding out” |  |  |
| Friday, Nov. 19 | Textbook Special Topic 4: “Great Debates in Economics: Keynes vs. Hayek” (p. 434 in 17th edition) | Keynes vs. Hayek on business cycles, markets, and government policy in the macroeconomy | Richards, Conclusion |  |
| Monday, Nov. 22 | Chapter 13 | Money and the Banking System: What is Money? |  | Online Brightspace Exam #2 due 11:00 pm: Chs. 7-12 and all Special Topics; Richards *Money, Greed & God* |
| Wednesday, Nov. 24 and Friday, Nov. 26  ***Thanksgiving Break*** |  |  |  |  |
| Monday, Nov. 29 | Chapter 13  (continued) | Money and the Banking System: Banking History and Fractional Reserve Banking |  |  |
| Wednesday, Dec. 1 | Chapter 13  (continued) | Money and the Banking System: The Federal Reserve System |  |  |
| Friday, Dec. 3 | Chapter 13  (continued) | Money and the Banking System: The Federal Reserve System |  |  |
| Monday, Dec. 6 | Chapter 16 | Economic Growth: Creating an Environment for Prosperity |  |  |
| Wednesday, Dec. 8 | Chapter 16  (continued) | Economic Growth: Institutions and Policies |  |  |
| Friday, Dec. 10 | Chapter 16  (continued) | Economic Growth: How Economic Freedom Promotes Economic Growth |  |  |
| Monday, Dec. 13 | Chapter 18 | The Gains from International Trade: Supply and Demand, The Effects of Tariffs; Protectionism and Trade Fallacies |  |  |
| Tuesday, Dec. 14 |  |  |  | Online Brightspace Final Exam due **10:00 am**: Chs. 1-4, 7-13, 16, 18, and all Special Topics – the final exam will be administered online through Brightspace |

**Course Philosophy**

Wisdom is the principle thing; therefore get wisdom:

And with all your getting, get understanding

Proverbs 4:7

"Economic ignorance is the breeding ground of totalitarianism."

--John Jewkes

“The serious fact is that the bulk of the really important things that economics has to teach are things that people would see for themselves if they were willing to see. And it is hard to believe in the utility of trying to teach what men refuse to learn or even seriously listen to.”

--Frank Knight

“Only through constant iteration can alien truths be implanted upon reluctant minds.”

--Herbert Spencer

"If you take from a theory only the conclusions you like and discard the rest, you are using the theory as a drunkard uses a lamp post – for support rather than illumination."  
 --Greg Mankiw

If you desire ease, forsake learning.

If you desire learning, forsake ease.

How can the man at his ease acquire knowledge,

And how can the earnest student enjoy ease?

*The Tree of Wisdom*

(Tibetan Buddhist Literature)

He who is waiting for something to turn up might start with his own shirt sleeves.

--Anonymous

"Economics, and economists, must make the categorical distinction between science fiction and potentially attainable reality. Failure to do so can produce results both exemplified by and experienced in the human tragedy of the failed pursuit of the impossible socialist idyll."

--James Buchanan

"There is nothing more practical than a good theory."

--Karl Popper

“Economics, as a branch of the more general theory of human action, deals with all human actions, i.e., with man's purposive aiming at the attainment of ends chosen, whatever these ends may be.”

--Ludwig von Mises

“Happy is the person who knows the causes of things.”

--Aristotle

Keys to Success in Economics

1. **Why study economics?**

This is the first question that must be answered if students are going to open up their minds and learn.  What is the point of studying economics?

* Because economics applies to everyone in virtually all of their everyday activities
* Most of the social interactions experienced by human beings are brought about as a result of economic exchange: the workplace, the movie theater and the ballpark, eating at a restaurant or shopping for groceries, sending emails, texts, or exchanging words and pictures on social media...or even taking an economics course.  All these activities involve using scarce resources, evaluating opportunity costs and tradeoffs, and are motivated by incentives that respond to some price signal.
* Every person, in whatever walk of life, from doctors and attorneys to waiters and truck-drivers, and in whatever socioeconomic class, will confront the questions of economics throughout their entire lives: what prices to pay or offer? how much to buy or sell? where to buy or sell? how much to save or how much to spend? will market values of assets like stocks and housing rise or fall? what will interest rates do? should I buy a home or rent? what job to take or reject? what career path to pursue or occupation to prepare for? should I change career paths? what economic policies help or hinder economic growth? will I be employed or unemployed a year from now?  will I have to pay more or less for this product a year from now?  will my wages/salary go up or down?  what policies encourage competition and lower or raise prices for me?  how are economic policies made, and how will they impact me and my profession?  for whom to vote?
* For this reason, economics as a discipline of study is more important to understand than virtually any other subject.  The physician can do without the knowledge possessed by the skilled tradesman, and the skilled tradesman can do without the knowledge possessed by the physician, but neither can afford to do without the knowledge imparted by economics.  **One of the most dangerous social conditions is a population of “educated” people who fail to understand economic logic or to appreciate market forces.**
* Many students have come to conclude that “economics touches everything and everything touches economics”

1. **To be successful in an economics course (to get a “B” or higher), you must be:**

* **Curious.**  Not necessarily highly intelligent, but curious.  You must take an interest in economics beyond simply rationalizing the course as something to be taken in order to earn credits toward your degree.  It must mean something deeper to you than just another “notch in your belt” along the way of completing your degree program.  If you do not actively develop this curiosity, you cannot do well in an economics course.
* **Diligent and Disciplined.**  You must be disciplined to read the text each and every week before classes.  You should outline each chapter of the text as you read it; take notes as you read and explain the important concepts from the textbook in your own words on paper.  (Keep in mind that in taking notes in this way, you are actually talking to yourself in the future to remind yourself of concepts you may have forgotten.)  Answer your practice exam questions as you read the text.  Then review your notes from each chapter at a later time to stimulate recall of the material.  Most of all, be in class, every class.
* **Dogged.**  Don’t ever give up!  Keep plugging away.  There will be times when you will feel like just throwing in the towel.  Don’t do it.  You will be amazed at how well you do by simply sticking to it and not giving in to the temptation to give up.  You may not earn the “A” you had hoped for, but your grade will certainly be better than you envision if you just stick with it.  Perseverance is key!