# Course Description

There are two primary goals in this class.

The first goal is to present you with basic economic theories covering a broad range of topics, and to use those theories to understand, analyze and explain fundamental economic activity and current economic controversies in our culture. We will apply economic theory to understand and explain entrepreneurship, the current stagnant economy, federal deficit, prospects of inflation, competition and government policies, and monetary and fiscal policy, among other topics.

The second goal of the course is to help you learn to think critically about what is presented and discussed. This includes the lectures from The Economic Way of Thinking, the Taking Sides essays and news articles. A cornerstone of this class is to examine controversial issues, and develop your own opinion about them.

# Course Outcomes (CO)

* **CLO1**: Identify basic economic theories and concepts. *(LO1, LO3, LO7)*
* **CLO2**: Recognize how economic theories are applied to real-world situations. *(LO3, LO7)*
* **CLO3**: Describe the roles of government and market institutions in the economy. *(LO1, LO7)*
* **CLO4:** Analyze how economic theories and government policies influence our lives. *(LO1, LO7)*

**School of Business Learning Outcomes (LO)**

* **PLO1:** Articulate an educational organization's mission, goals, and guiding principles that distinguish the organization from others. (ULO1, 4)
* **PLO2:** Understand the foundational base of organizational theory, and demonstrate the ability to bridge theory and practice. (ULO1, 2, 4)
* **PLO3:** Given scenarios of conflict, choose ethical courses of action consistent with Gospel values. (ULO3, 5)
* **PLO4:** Synthesize and analyze data to reveal relations and causality, and convert raw data into actionable information. (ULO2, 4)
* **PLO5:** View problems and challenges through the lens of a scientist, seeking evidence-based conclusions. (ULO1, 2, 4)
* **PLO6:** Practice and model steward leadership in transforming organizations to better serve all constituents. (ULO3, 4, 5)
* **PLO7:** Demonstrate facility in the application of technology to solve problems, analyze and synthesize data, and manage information. (ULO1, 2, 4)

**University Learning Outcomes (ULO)**

* **ULO1:** Knowledge of Human Cultures and the Physical and Natural World
* **ULO2:** Intellectual and Practical Skills
* **ULO3:** Personal and Social Responsibility
* **ULO4:** Integrative and Applied Learning
* **ULO5:** Immersed in the Critical Concerns of the Sisters of Mercy of the Americas

**Student Expectations**

Students are expected to:

* Ask probing and insightful questions related to course content.
* Make meaningful and relevant connections and application to their own learning process.
* Be productive and contributing members of class discussions.

# Required Course Materials

Heyne, P., Boettke, P.J., & Prychitko, D.L. (2013). *The economic way of thinking* (13th ed.). Pearson. ISBN - 978-0-13-603985-3

Bonelo, F. & Lobo, I. (2012). *Taking sides: Clashing views on economic issues* (15th ed.). McGraw-Hill Higher Education.   
ISBN - 978-0-07-352734-5

**Table of Contents**

[Week One: Division of Labor, Comparative Advantage, Law of Demand, and Elasticity 5](#_Toc403077209)

[Week Two: Supply, Supply and Demand, and Market Applications 9](#_Toc403077210)

[Week Three: Profit and Loss, Entrepreneurship, Price Searching, Competition, and Government Policy 12](#_Toc403077211)

[Week Four: Externalities, Role of Government, and Income Distribution 16](#_Toc403077212)

[Week Five: Globalization and Economic Growth, Money and Monetary Systems, Demand Management and Fiscal Policy, and The Financial Crisis of 2008 21](#_Toc403077213)

# Suggested Point Values

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Assessment** | **Due** | **Point Value** |
| **Week 1** |  |  |  |
|  | Week One Quiz |  | 5 |
|  | Demand Curve Diagram and Essay |  | 7 |
|  | Required Discussion Question |  | 3 |
| **Week 2** |  |  |  |
|  | Taking Sides Essay – Week Two |  | 5 |
|  | Week Two Article Discussion Board |  | 2 |
|  | Week Two Quiz |  | 5 |
|  | Supply Graph and Essay |  | 7 |
| **Week 3** |  |  |  |
|  | “Fear the Boom and Bust” a Hayek vs. Keynes Rap Anthem Video and Discussion Board |  | 1 |
|  | Taking Sides Essay – Week Three |  | 5 |
|  | Week Three Article Discussion Board |  | 2 |
|  | Week Three Quiz |  | 5 |
|  | Required Discussion Question 1 |  | 3 |
|  | Required Discussion Question 2 |  | 3 |
| **Week 4** |  |  |  |
|  | Fight of the Century: Keynes vs. Hayek Round 2 Video and Discussion Board |  | 1 |
|  | Taking Sides Essay – Week Four |  | 5 |
|  | Week Four Article Discussion Board |  | 2 |
|  | Week Four Quiz |  | 5 |
|  | Externalities, Transaction Costs, and Property Rights Presentation |  | 8 |
|  | Required Discussion Question |  | 3 |
| **Week 5** |  |  |  |
|  | Taking Sides Essay – Week Five |  | 5 |
|  | Week Five Article Discussion Board |  | 2 |
|  | Week Five Quiz |  | 5 |
|  | Economic Growth Presentation |  | 8 |
|  | Required Discussion Question |  | 3 |
| **Total Points** |  |  | **100** |

**Approach to the Course**

My approach to economics and this course is a combination of ideas from the British Classical and Austrian schools of thought. I highlight selected thinkers based on the relevance of their key ideas to the course and my judgment as to these ideas accessibility to students. For the British Classicists I reference Adam Smith, David Ricardo, and John Stuart Mill; for the Austrians (loosely defined) I include Carl Menger, Friedrich Hayek, Murray Rothbard, Israel Kirzner and George Reisman. I also contrast these thinkers’ views with the interventionist ideas of Karl Marx and John Maynard Keynes.

I use two Textbooks. The first, main textbook and the primary source for the lectures is The Economic Way of Thinking by Heyne, Boettke and Pritchitco. This book is ideal for those with little or no background in economics, it provides an in-depth discussion of a limited, but crucial set of economic principles and concepts--then applies these tools of analysis to a wide variety of familiar situations. The second book is Taking Sides, by Bonello and Lobo. This book presents essays on current controversial issues in a debate-style format designed to stimulate student interest and develop critical thinking skills. Each issue is thoughtfully framed with an issue summary, an issue introduction, and a postscript or challenge questions. I use the topics in this book for student essays..

I also use articles on social or economic topics for more informal discussions.

Finally, I end Weeks One, Three, Four, and Five with a humorous/educational video reflecting some aspect of economics. These are taken from the movie version of Freakonomics, by Levitt and Dubner; two YouTube videos illustrating the ideas of Hayek and Keynes through a rap anthem; and a YouTube video poking fun at the Federal Reserve called “Quantitative Easing Explained”.

|  |  |  |  |
| --- | --- | --- | --- |
| Week One: Division of Labor, Comparative Advantage, Law of Demand, and Elasticity | |  |  |
| ***Learning Objectives*** | | ***Alignment*** | |
| * 1. Describe the division of labor. | | CLO1 | |
| * 1. Explain how the theory of comparative advantage works. | | CLO1 & CLO2 | |
| * 1. Illustrate example of the law of demand in action. | | CLO1 & CLO2 | |
| * 1. Describe how elasticity applies to the law of demand. | | CLO1 & CLO2 | |
| ***Required Learning Resources and Activities****: Students must complete any resources activities listed in this section as selected by the instructor.* | | ***Alignment*** | ***Pages/AIE/***  ***Generic*** |
| **Read** Ch. 1, 2, and 3 of *The Economic Way of Thinking*. | | 1.1, 1.2, 1.3, 1.4 |  |
| **Read** Ch. 1-3 of *Economics in One Lesson*. | | 1.3 |  |
| **Read** the “*Taking Sides* Debates/Essays Instruction Sheet” in preparation for these assignments that will be due in Weeks Two through Five. | |  |  |
| **Watch** the *Economics in One Lesson* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week One General Q & A discussion forum on Blackboard. | | 1.3 | Review lecture & complete activity =  **45 minutes** |
| **Watch** the *Economic Way of Thinking (Ch. 1)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week One General Q&A discussion forum on Blackboard. | | 1.1 | Review lecture & post response =  **1 hour** |
| **Watch** the *Efficiency, Exchange, and Comparative Advantage (Ch. 2)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week One General Q&A discussion forum on Blackboard. | | 1.2 | Review lecture & post response =  **1 hour** |
| **Watch** the *Substitutes Everywhere: The Concept of Demand (Ch. 3)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week One General Q&A discussion forum on Blackboard. | | 1.3, 1.4 | Review lecture & post response =  **1 hour** |
| **Watch** the following segments from the documentary *Freakonomics* which are available on YouTube:  Incentives:   * [The Truth About Real Estate Agents: Freakonomics Movie](http://youtu.be/aFYlgqv3T-w) (1:50) * [Economist Potty Training: Freakonomics Movie](http://youtu.be/W2hhIWbz0Ns) (2:50) * [Hospital Hand Washing: Good Morning America](http://www.youtube.com/watch?v=nlTqK_ji8kY) (3:12) * [Incentives and Politicians: 10 O'Clock Live](http://www.youtube.com/watch?v=VcNiCLJVOh0) (4:25) * [The Monkey Economy: Freakonomics Radio Live in St. Paul](http://www.youtube.com/watch?v=J8449HgS3FM) (5:35)   Correlation and Causality:   * [Correlation vs. Causality: Freakonomics Movie](http://youtu.be/lbODqslc4Tg) (1:29) * [Abortions and Crime: Freakonomics Movie](http://youtu.be/zk6gOeggViw) (4:26)   **Post** questions and comments about the content of the lecture in the Week One General Q&A discussion forum on Blackboard.  *Note*: The entire Freakonomics documentary is available on several streaming movie services such as Netflix. While it is not required that you watch the entire documentary, it is highly recommended as many of the concepts in this course are presented in this documentary. | | 1.2, 1.3, 1.4 | Review videos & post response =  **1 hour** |
| **Total** |  |  | **4 hours,**  **45 minutes** |
| ***Assignment****: Students must complete the weekly assignment(s).* | | ***Alignment*** | ***Points/AIE/***  ***Generic*** |
| **Week One Quiz**  **Complete** the Week One Quiz covering topics from this week’s readings, lectures, and learning activities. | | 1.1, 1.2 | Test and review results =  **1 hour** |
| **Demand Curve Diagram and Essay**  **Illustrate** in a graph the demand curve for a good or service of your choosing. The graph should be created using the Line Chart in Microsoft Word® or a similar graphing program.  *Note*: If you need assistance in creating the chart you may want to review the [Quick Start: Add a chart to your document](http://office.microsoft.com/en-us/word-help/quick-start-add-a-chart-to-your-document-HA010379388.aspx).  **Describe** in 150 to 400 words how this graph illustrates the demand curve for the good or service. | | 1.3 | Review instructor feedback = **1 hour** |
| **Required Discussion Question**  Write a response to the following discussion question in the Discussion forum:   * What are two example of a product or service that has elastic demand?   + In each example explain how it has elastic demand and how these are specific cases of the Law of Demand. * What are two example of a product or service that has inelastic demand?   + In each example explain how it has inelastic demand and how these are specific cases of the Law of Demand.   Note: Initial answers to the discussion question have to be substantive and in the range of 250-400 words. Any references used should be properly cited following APA formatting guidelines. Initial discussion question responses are due by 11:59 p.m. (EST) on Thursday.    Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | | 1.4 | 1 posting and responding to 3 students = **1 hour** |
| **Total** |  |  | **3 hours** |
| **Notes** |  | | |

# Notes

For Week One we introduce the course with the first three chapters of Henry Hazlitt’s Economics in One Lesson. These three chapters debunk common fallacies in economic thinking, and provide students with an introduction to thinking critically about economic information they encounter in the media and elsewhere. The four main topics for Week One are the most fundamental topics of the course. The division of labor is the foundation of specialization, which is key to economic development. Comparative advantage is the “working out” or “nuts and bolts” of specialization in action.

The Law of Demand illustrates the relationship of price to quantity demanded, the first conceptual part of the market process. Elasticty takes this idea one step further by introducing the idea of consumers’ responsiveness to changes in price and its impact on quantity demanded.

I show several brief segments from the movie, *Freakonomics*, to illustrate the ideas of incentives and causality in a thought-provoking and entertaining way.

The students also get their first essay assignment and debate topic this week, along with the assigned “In the News” article for the Discussion Board. These are both due in Week Two.

# Content Outline

Please use this Content Outline to guide students through the course material.

1. Economics in One Lesson
   1. The Lesson
   2. The Broken Window
   3. The Blessings of Destruction
2. Division of Labor
   1. Rules of the game
   2. Recognizing social order
3. Comparative Advantage
   1. Efficiency, values and trade-offs
   2. Gains from specialization, exchange
   3. Wealth creation
   4. Transaction costs and middlemen
   5. Markets as a discovery process
4. Law of Demand
   1. Needs vs. demand
   2. Marginality
   3. The demand curve
   4. The Law of Demand
   5. Demand vs. quantity demanded
5. Elasticity
   1. Price elasticity of demand
   2. Elastic vs. inelastic demand
   3. Elasticity and total receipts
   4. Scarcity, rationing, sacrifice and price
   5. Introduction to money

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| --- | --- | --- | --- |
| Week Two: Supply, Supply and Demand, and Market Applications | |  |  |
| ***Learning Objectives*** | | ***Alignment*** | |
| * 1. Illustrate an example of the supply of a good or service on a graph. | | CLO1 & CLO2 | |
| * 1. Explain how supply and demand work together. | | CLO1 & CLO2 | |
| * 1. Describe examples of how supply and demand work to clear markets. | | CLO1 & CLO2 | |
| ***Required Learning Resources and Activities****: Students must complete any resources activities listed in this section as selected by the instructor.* | | ***Alignment*** | ***Pages/AIE/***  ***Generic*** |
| **Read** Ch. 4, 5, and 6 of *The Economic Way of Thinking*. | | 2.1, 2.2, 2.3 |  |
| **Watch** the *Cost and Choice: The Concept of Supply (Ch. 4)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Two General Q&A discussion forum on Blackboard. | | 2.1 | Review lecture & post response =  **1 hour** |
| **Watch** the *Supply and Demand: A Process of Coordination (Ch. 5)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Two General Q&A discussion forum on Blackboard. | | 2.2 | Review lecture & post response =  **1 hour** |
| **Watch** the *Unintended Consequences: More Applications of Supply and Demand (Ch. 6)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Two General Q&A discussion forum on Blackboard. | | 2.3 | Review lecture & post response =  **1 hour** |
| **Taking Sides Essay – Week Two**  **Read** “Issue 1: Are Profits the Only Business of Business?” from *Taking Sides: Clashing Views on Economic Issues*.  **Select** either the “Yes” or “No” side for the week’s Taking Sides debate question.  **Write** a 400- to 800-word essay describing the basis for this answer to the question. The essays should contain a summary of the topic and opposing views. Your opinion must be supported by two independent sources (i.e., outside the readings). Please feel free to use arguments outside the readings in the defense of your position if they help support one of the views of the authors.  *Note*: Papers that will receive an “A” grade require that half or more of your discussion be on your opinion and its support; however, do not short-change your effort on the authors’ summaries. | |  | Review instructor feedback =  **30 minutes** |
| **Week Two Article Discussion Board**  **Read** the article “Seeking a Cure for Troubled Hospitals in Brooklyn” from the New York Times.  **Post** questions and comments about the article in the Week Two Article discussion forum on Blackboard.  Note: Initial article responses are due by 11:59 p.m. (EST) on Thursday. Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | |  | Read article & post response =  **30 minutes** |
| **Total** |  |  | **4 hours** |
| ***Assignment****: Students must complete the weekly assignment(s).* | | ***Alignment*** | ***Points/AIE/***  ***Generic*** |
| **Week Two Quiz**  **Complete** the Week Two Quiz covering topics from this week’s readings, lectures, and learning activities. | | 2.2, 2.3 | Test and review results =  **1 hour** |
| **Supply Graph and Essay**  **Illustrate** in a graph an example of supply of a good or service of your choosing. The graph should be created using the Line Chart in Microsoft Word® or a similar graphing program.  *Note*: If you need assistance in creating the chart you may want to review the [Quick Start: Add a chart to your document](http://office.microsoft.com/en-us/word-help/quick-start-add-a-chart-to-your-document-HA010379388.aspx).  **Describe** in 250 to 400 words how this graph illustrates the supply of the good or service. | | 2.1 | Review instructor feedback = **1 hour** |
| **Total** |  |  | **2 hours** |
| **Notes** |  | | |

# Notes

I introduce the concept of Supply this week. I emphasize that the “mechanics” and graphics of Supply are analogous to those for the concept of Demand. I then explain the opposite way producers look at the marketplace compared to consumers. I also introduce the concepts of cost in detail. From here, Supply and Demand are brought together and I introduce the concept of markets, prices, and market clearing (equilibrium). The ideas of shortage and surplus illustrate the competitive bidding process that takes place between consumers and producers to reach the market clearing price.

Following this explanation of the basic market process, I introduce various natural occurrences and governmental actions that disrupt the process. I emphasize that many of the ideas in this chapter are socially and politically controversial, and it is the purpose of economists and the economic way of thinking to describe the impact of these events on free markets. These include natural disasters and their influence on the demand and supply of a good or service in the sectors involved, price fixing and the non-market activities that develop to deal with scarcity, and illegal activity and black markets.

Next I emphasize the role of Demand in determining price, and that producer cost is only one part of that. The final example of health insurance illustrates both its effects on demand for healthcare, and its influence on demand elasticity for healthcare.

The students will then see the first Keynes/Hayek rap anthem. Both this one and the one for next week are fun and funny and very accurately describe the ideas of both economists.

# Content Outline

Please use this Content Outline to guide students through the course material.

1. Supply
   1. Theory of supply
   2. Costs and actions
   3. Sunk cost
   4. Producers costs as forgone opportunities
   5. Costs and supply
   6. The supply curve
   7. Marginal cost
   8. Price based on supply and demand
2. Supply and Demand
   1. Markets as a process of plan coordination
   2. Competition, cooperation and market clearing
   3. Surplus, shortage, and competition
   4. Changing market conditions
   5. Prices, rationing and scarce goods
   6. Central planning and the knowledge problem
   7. Transaction costs, property rights and money
3. Applications
   1. Catastrophe and coordination
   2. Price fixing and inappropriate signals
      1. Surplus and shortage (floors and ceilings)
         1. Minimum wage, government subsidies (floors)
         2. Rent control, gasoline (ceilings)
   3. Criminal behavior (black markets) and unintended consequences
      1. Prohibition
      2. Illegal drugs
      3. Sudanese slavery market
   4. Costs and demand
      1. CD market
      2. Gold mining
   5. Health insurance
      1. Influence on demand
      2. Influence on elasticity
   6. Framing economic questions

|  |  |  |  |
| --- | --- | --- | --- |
| Week Three: Profit and Loss, Entrepreneurship, Price Searching, Competition, and Government Policy | |  |  |
| ***Learning Objectives*** | | ***Alignment*** | |
| * 1. Explain how price works to clear the market for consumers and producers. | | CLO2 | |
| * 1. Describe the importance of marginal benefits and marginal costs to the decision making process in business. | | CLO1, CLO2 | |
| * 1. Recognize how entrepreneurs take on risk and uncertainty to generate profits or avoid losses. | | CLO1 | |
| * 1. Recognize the pressures of competition and the impact of government policy. | | CLO4 | |
| ***Required Learning Resources and Activities****: Students must complete any resources activities listed in this section as selected by the instructor.* | | ***Alignment*** | ***Pages/AIE/***  ***Generic*** |
| **Read** Ch. 7, 8, and 9 of *The Economic Way of Thinking*. | | 3.1, 3.2, 3.3, 3.4 |  |
| **Watch** the *Profit and Loss (Ch. 7)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Three General Q&A discussion forum on Blackboard. | | 3.2, 3.3 | Review lecture & post response =  **1 hour** |
| **Watch** the *Price Searching (Ch. 8)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Three General Q&A discussion forum on Blackboard. | | 3.1 | Review lecture & post response =  **1 hour** |
| **Watch** the *Competition and Government Policy (Ch. 9)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Three General Q&A discussion forum on Blackboard. | | 3.4 | Review lecture & post response =  **1 hour** |
| **“Fear the Boom and Bust” a Hayek vs. Keynes Rap Anthem Video and Discussion Board**  **Watch** the [“Fear the Boom and Bust” a Hayek vs. Keynes Rap Anthem](http://youtu.be/d0nERTFo-Sk) video (7:33).  Post a response to the following discussion question in the “Fear the Boom and Bust” a Hayek vs. Keynes Rap Anthem Video discussion forum:   * What was the most interesting part of the rap? Did the video influence your opinion about the two theories of economics?   Note: Initial answers to the discussion question have to be substantive and in the range of 250-400 words. Any references used should be properly cited following APA formatting guidelines. Initial discussion question responses are due by 11:59 p.m. (EST) on Thursday.    Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | |  | Watch video & post response =  **30 minutes** |
| **Taking Sides Essay – Week Three**  **Read** “Issue 4: Should the United States Stop All New Offshore Drilling for Oil?” from *Taking Sides: Clashing Views on Economic Issues*.  **Select** either the “Yes” or “No” side for the week’s Taking Sides debate question.  **Write** a 400- to 800-word essay describing the basis for this answer to the question. The essays should contain a summary of the topic and opposing views. Your opinion must be supported by two independent sources (i.e., outside the readings). Please feel free to use arguments outside the readings in the defense of your position if they help support one of the views of the authors.  *Note*: Papers that will receive an “A” grade require that half or more of your discussion be on your opinion and its support; however, do not short-change your effort on the authors’ summaries. | |  | Review instructor feedback =  **30 minutes** |
| **Week Three Article Discussion Board**  **Read** the article “Breeding a Nation of Chocoholics” from the Wall Street Journal.  **Post** questions and comments about the article in the Week Three Article discussion forum on Blackboard.  Note: Initial article responses are due by 11:59 p.m. (EST) on Thursday. Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | |  | Read article & post response =  **30 minutes** |
| **Total** |  |  | **4 hours,**  **30 minutes** |
| ***Assignment****: Students must complete the weekly assignment(s).* | | ***Alignment*** | ***Points/AIE/***  ***Generic*** |
| **Week Three Quiz**  **Complete** the Week Three Quiz covering topics from this week’s readings, lectures, and learning activities. | | 3.1, 3.4 | Test and review results =  **1 hour** |
| **Required Discussion Question 1**  Write a response to the following discussion question in the Discussion forum:   * How do marginal costs differ from sunk costs? Provide two examples describing this difference.   Note: Initial answers to the discussion question have to be substantive and in the range of 250-400 words. Any references used should be properly cited following APA formatting guidelines. Initial discussion question responses are due by 11:59 p.m. (EST) on Thursday.    Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | | 3.2 | 1 posting and responding to 3 students = **1 hour** |
| **Required Discussion Question 2**  Write a response to the following discussion question in the Discussion forum:   * What are the characteristics of an entrepreneur? What are the differences between the characteristics of an entrepreneur and a person who works for a wage or salary? Make sure you use the characteristics that were discussed this week.   Note: Initial answers to the discussion question have to be substantive and in the range of 250-400 words. Any references used should be properly cited following APA formatting guidelines. Initial discussion question responses are due by 11:59 p.m. (EST) on Thursday.    Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | | 3.3 | 1 posting and responding to 3 students = **1 hour** |
| **Total** |  |  | **3 hours** |
| **Notes** |  | | |

# Notes

Now that the market process is clear, and we have discussed the various outside events that can disrupt it, I introduce the concepts of profit, entrepreneurship, price searching and further examine government activity designed to foster or impede competitive activity. I emphasize that profit and loss are “twin” concepts that should always be thought of together. I define profit as “accounting” profit: total revenue minus total cost. I reject the notion of opportunity cost (which really means “forgone opportunity”). Accounting profit is more accurate and is also easier for students to understand. It is the desire to seek profit and risk the uncertainty of attaining it (via losses) that distinguishes the entrepreneur from a wage or salary earner. In the latter case, these people are instead seeking contracts with employers to reduce risk and uncertainty.

We then explore price searching mainly through a detailed example of a college student, Ed Sike, who runs a campus movie theater. The example illustrates why producers continue producing additional units of a good or service so long as the marginal revenue of the additional unit exceeds the marginal cost of that additional unit. The profit maximizing price, therefore, occurs when marginal revenue equals marginal cost. We then extend the discussion to cover the concept of price discrimination.

The last lecture covers rationale and controversy of government regulation. I begin with a description of “Perfect Competition”, and illustrate that this notion in most respects is the opposite of the market process view I have presented in the course. Bringing in Perfect Competition serves to explain the danger of theories that are not tied to reality, yet often serve as an “idealized” version of what an economy “should” look like, thereby providing a theoretical justification for many government regulations.

However, we also discuss aspects of the free market that do not appear to be in the best interest of consumers. I illustrate this with the formation of cartels. In many ways cartels aptly show how entrepreneurs can not only introduce innovation into society, but can also be harbingers of market power and uncompetitive activity. Furthermore, entrepreneurs who have successfully achieved market power may then seek government assistance to keep out competition. So the question is, is it better to leave competition unfettered, or can government legislation improve upon the sometimes messy market process?

Keynes/Hayek rap anthem part II.

# Content Outline

Please use this Content Outline to guide students through the course material.

1. Profit and Loss
   1. Contracts and uncertainty: Wages, rent and interest

b. Calculating profit

* 1. Accounting costs and forgone opportunities
     1. Examples from Economic Way of Thinking textbook: Ann Trepreneur and the pizzeria

1. Entrepreneurship
   1. Alertness, reorganization and confidence
   2. Residual claimants
   3. Arbitrage, innovation and imitation
   4. Profit and loss as coordinating signals
   5. Open vs. closed markets
   6. Speculation and futures markets
2. Price Searching
   1. Maximizing net revenue
      1. Examples from Economic Way of Thinking textbook: Ed Sike and the movie theater
   2. Marginal revenue less than price
   3. Marginal revenue equal to marginal cost
   4. Strategies for price discrimination
3. Competition and government policy
   1. Static view of Perfect Competition
   2. Competition as an adjustment process
   3. Pressures of competition
   4. Controlling competition
      1. Licensure
      2. Cartels
   5. Double-edged sword of entrepreneurship
   6. Ambivalence toward government policy
      1. Predatory pricing
      2. Regulation and Capture Theory
      3. Sherman Antitrust Act and mergers
      4. Evaluating government action

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| Week Four: Externalities, Role of Government, and Income Distribution | |  |  |
| ***Learning Objectives*** | | ***Alignment*** | |
| * 1. Identify examples of positive and negative externalities. | | CLO1, CLO2 | |
| * 1. Describe the relationship between externalities, property rights, and transaction costs. | | CLO1, CLO2 | |
| * 1. Explain how the government acts to resolve externality problems. | | CLO3, CLO4 | |
| * 1. Describe the Public Choice theory of government. | | CLO3, CLO4 | |
| * 1. Describe income distribution and government action to resolve | | CLO3, CLO4 | |
| ***Required Learning Resources and Activities****: Students must complete any resources activities listed in this section as selected by the instructor.* | | ***Alignment*** | ***Pages/AIE/***  ***Generic*** |
| **Read** Ch. 10, 11, and 12 of *The Economic Way of Thinking*. | | 4.1, 4.2, 4.3, 4.4, 4.5 |  |
| **Watch** the *Externalities and Conflicting Rights (Ch. 10)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Four General Q&A discussion forum on Blackboard. | | 4.1, 4.2 | Review lecture & post response =  **1 hour** |
| **Watch** the *Markets and Government (Ch. 11)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Four General Q&A discussion forum on Blackboard. | | 4.3, 4.4 | Review lecture & post response =  **1 hour** |
| **Watch** the *Measuring the Overall Performance of Economic Systems (Ch. 12)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Four General Q&A discussion forum on Blackboard. | | 4.5 | Review lecture & post response =  **1 hour** |
| **Fight of the Century: Keynes vs. Hayek Round 2 Video and Discussion Board**  **Watch** the [Fight of the Century: Keynes vs. Hayek Round 2](http://youtu.be/GTQnarzmTOc) video (10:10).  Post a response to the following discussion question in Fight of the Century: Keynes vs. Hayek Round 2 discussion forum:   * What was the most interesting part of the rap? Did the video influence your opinion about the two theories of economics?   Note: Initial answers to the discussion question have to be substantive and in the range of 250-400 words. Any references used should be properly cited following APA formatting guidelines. Initial discussion question responses are due by 11:59 p.m. (EST) on Thursday.    Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | |  | Watch video & post response =  **30 minutes** |
| **Taking Sides Essay – Week Four**  **Read** “Issue 5: Are Health Savings Accounts Working Effectively?” from *Taking Sides: Clashing Views on Economic Issues*.  **Select** either the “Yes” or “No” side for the week’s Taking Sides debate question.  **Write** a 400- to 800-word essay describing the basis for this answer to the question. The essays should contain a summary of the topic and opposing views. Your opinion must be supported by two independent sources (i.e., outside the readings). Please feel free to use arguments outside the readings in the defense of your position if they help support one of the views of the authors.  *Note*: Papers that will receive an “A” grade require that half or more of your discussion be on your opinion and its support; however, do not short-change your effort on the authors’ summaries. | |  | Review instructor feedback =  **30 minutes** |
| **Week Four Article Discussion Board**  **Read** the article “Hospital Group Touts Economic Boost to South Carolina of Medicaid Expansion” from The State.  **Post** questions and comments about the article in the Week Four Article discussion forum on Blackboard.  Note: Initial article responses are due by 11:59 p.m. (EST) on Thursday. Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | |  | Read article & post response =  **30 minutes** |
| **Total** |  |  | **4 hours,**  **30 minutes** |
| ***Assignment****: Students must complete the weekly assignment(s).* | | ***Alignment*** | ***Points/AIE/***  ***Generic*** |
| **Week Four Quiz**  **Complete** the Week Four Quiz covering topics from this week’s readings, lectures, and learning activities. | | 4.1, 4.3, 4.5 | Test and review results =  **1 hour** |
| **Externalities, Transaction Costs, and Property Rights Presentation**  **Define** the following terms: Externality, Transaction Costs, and Property Rights.  **Identify** an example that shows the relationship between those three terms.  **Develop** a presentation that displays the definitions and demonstrates the relationship between those three terms.  The presentation should be creatively organized and could use any of the following formats:   * Narrative (essay) description * Mind map (graphic example) * Podcast (audio presentation) * PowerPoint presentation (including detailed speaker notes) | | 4.2 | Individual project =  **3 hours** |
| **Required Discussion Question**  Write a response to the following discussion question in the Discussion forum:   * What are the key differences between the Public Service (traditional) role of government and the Public Choice Theory? Give two examples: 1) using special interests (pork barrel spending) and 2) using elected officials’ time in office.   Note: Initial answers to the discussion question have to be substantive and in the range of 250-400 words. Any references used should be properly cited following APA formatting guidelines. Initial discussion question responses are due by 11:59 p.m. (EST) on Thursday.    Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | | 4.4 | 1 posting and responding to 3 students = **1 hour** |
| **Total** |  |  | **5 hours** |
| **Notes** |  | | |

# Notes

In Week Four we now turn to the unintended consequences of human activity, externalities, explore more fully the role of government in dealing with positive and negative externalities, and look at the nature of government itself. We end with a discussion of Gross Domestic Product (GDP), the government’s accounting measure of economic activity. We cover the nature of negative externalities in detail, and how they are addressed in various ways through negotiation, adjudication and legislation. Much of the discussion focuses on the example of pollution, which serves to illustrate many of the societal issues that negative externalities create.

We now also go into more detail about the nature of government, how it serves to enforce the “rules of the game”, especially property rights and contracts. I also introduce Public Choice theory, which uses economic tools and analysis to analyze government behavior in contrast to the traditional “public service” view of government. Further, we discuss how government can aid us with transaction costs associated with eliminating externalities that we cannot address adequately as individual citizens. I explain how government is coercion; and how in a democracy, persuasion is also required for a government to enact the will of its citizens. We end this discussion by concluding that government action is not perfect, and often results in solutions that are considered sub-optimal. This is illustrated through game theory using the Prisoner’s Dilemma.

# Content Outline

Please use this Content Outline to guide students through the course material.

1. Externalities
   1. Positive and negative spillover costs/benefits
   2. Internalization and transaction costs
      1. Examples from Economic Way of Thinking textbook: Denny the elderly driver
      2. Examples from Economic Way of Thinking textbook: The motorcyclist
   3. Externalities and civic virtues
   4. Negotiation, adjudication and legislation
      1. Examples from Economic Way of Thinking textbook: Jones and Brown property line
      2. Examples from Economic Way of Thinking textbook: Regretta sigh and precedents
      3. Radical change
      4. Examples from Economic Way of Thinking textbook: Pollution example (Smog in Arcadia)
         1. Taxing emissions
         2. EPA , marginal benefits and marginal costs
         3. Vouchers and the Dome concept
         4. Social and political concerns, elasticity of clean air, properly rights
      5. Examples from Economic Way of Thinking textbook: Traffic congestion example
2. Role of Government
   1. Private vs. public activity
   2. Public Choice Theory
      1. Competition in the public sector
      2. Economic theory applied to politics
   3. Coercion and persuasion
      1. Free-riders and the exclusion of non-payers
      2. Positive externalities and free-riders
      3. Transaction costs and coercion
      4. Roles of government
         1. Rules of the game (property rights, contracts)
         2. Public goods and national defense
         3. Roads and schools
         4. Income redistribution
         5. Regulation of voluntary exchange
         6. Government and public the interest
            1. Special interests (pork barrel spending)
            2. Interests of public officials
            3. Example of the Food and Drug Administration (FDA)
            4. Prisoners’ Dilemma
3. Income Distribution
   1. Suppliers and Demanders
      1. Not actually distributed
      2. Supply and Demand of products and resources
      3. Prior distribution of wealth
   2. Capital and human resources
      1. Machinery, knowledge and skills
      2. Increasing inequality
      3. Property rights and income
         1. Natural, legal and moral rights
         2. Expectations and investment
         3. People or machines
   3. Derived demand
      1. Who competes against whom
   4. Unions and competition
   5. Poverty and inequality
      1. Why inequality is increasing
      2. Redistribution
      3. Changing rules and social cooperation

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| Week Five: Globalization and Economic Growth, Money and Monetary Systems, Demand Management and Fiscal Policy, and The Financial Crisis of 2008 | |  |  |
| ***Learning Objectives*** | | ***Alignment*** | |
| * 1. Explain why gross domestic product (GDP) is a useful measure of domestic and foreign production. | | CLO1, CLO2, CLO3, CLO4 | |
| * 1. Identify the conditions that are necessary for economic growth in a country. | | CLO1, CLO2, CLO3, CLO4 | |
| * 1. Explain the historical development of money. | | CLO1, CLO2 | |
| * 1. Compare discretionary monetary policy, monetary rules, and the gold standard. | | CLO1, CLO2 | |
| * 1. Contrast monetary policy and fiscal policy. | | CLO2, CLO3, CLO4 | |
| * 1. Define demand management (Keynesian theory) and its relationship to free markets. | | CLO2, CLO3, CLO4 | |
| ***Required Learning Resources and Activities****: Students must complete any resources activities listed in this section as selected by the instructor.* | | ***Alignment*** | ***Pages/AIE/***  ***Generic*** |
| **Read** Ch. 13, 14, 15, and 16 of *The Economic Way of Thinking*. | | 5.1, 5.2, 5.3, 5.4, 5.5 |  |
| **Watch** the *Measuring the Performance of Economic Systems (Ch. 13)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Five General Q&A discussion forum on Blackboard. | | 5.1 | Review lecture & post response =  **1 hour** |
| **Watch** the *Money (Ch. 14)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Five General Q&A discussion forum on Blackboard. | | 5.2 | Review lecture & post response =  **1 hour** |
| **Watch** the *Economic Performance and Real-World Politics (Ch. 15)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Five General Q&A discussion forum on Blackboard. | | 5.3, 5.4 | Review lecture & post response =  **1 hour** |
| **Watch** *The Wealth of Nations: Globalization and Economic Growth (Ch. 16)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Five General Q&A discussion forum on Blackboard. | | 5.5 | Review lecture & post response =  **1 hour** |
| **Watch** *The Financial Crisis of 2008 (Appendix)* pre-recorded lecture.  **Post** questions and comments about the content of the lecture in the Week Five General Q&A discussion forum on Blackboard. | | 5.2, 5.5 | Review lecture & post response =  **1 hour** |
| **Watch** the video [*Quantitative Easing Explained*](http://www.youtube.com/watch?v=PTUY16CkS-k) (6:48).  **Post** questions and comments about the content of the lecture in the Week Five General Q&A discussion forum on Blackboard. | |  | Watch video & post response =  **30 minutes** |
| **Taking Sides Essay – Week Five**  **Read** “Issue 9: Did the American Recovery and Reinvestment Act of 2009 Create Jobs?” from *Taking Sides: Clashing Views on Economic Issues*.  **Select** either the “Yes” or “No” side for the week’s Taking Sides debate question.  **Write** a 400- to 800-word essay describing the basis for this answer to the question. The essays should contain a summary of the topic and opposing views. Your opinion must be supported by two independent sources (i.e., outside the readings). Please feel free to use arguments outside the readings in the defense of your position if they help support one of the views of the authors.  *Note*: Papers that will receive an “A” grade require that half or more of your discussion be on your opinion and its support; however, do not short-change your effort on the authors’ summaries. | |  | Review instructor feedback =  **30 minutes** |
| **Week Five Article Discussion Board**  **Read** the article “Kindle Fire Drives Tablet Ownership Numbers Up, Up, Up” from Christian Science Monitor.  **Post** questions and comments about the article in the Week Five Article discussion forum on Blackboard.  Note: Initial article responses are due by 11:59 p.m. (EST) on Thursday. Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | |  | Read article & post response =  **30 minutes** |
| **Total** |  |  | **6 hours,**  **30 minutes** |
| ***Assignment****: Students must complete the weekly assignment(s).* | | ***Alignment*** | ***Points/AIE/***  ***Generic*** |
| **Week Five Quiz**  **Complete** the Week Five Quiz covering topics from this week’s readings, lectures, and learning activities. | | 5.2, 5.4, 5.5 | Test and review results =  **1 hour** |
| **Economic Growth Presentation**  **Identify** four conditions necessary for economic growth in a country.  **Develop** a PowerPoint presentation where you list and explain four conditions necessary for economic growth in a country.  **Explain** each condition in bullet-point format.  **Include** detailed speaker notes. | | 5.1 | Individual project =  **3 hours** |
| **Required Discussion Question**  Write a response to the following discussion question in the Discussion forum:   * What are the differences between discretionary monetary policy, monetary rules policy, and the gold standard?   Note: Initial answers to the discussion question have to be substantive and in the range of 250-400 words. Any references used should be properly cited following APA formatting guidelines. Initial discussion question responses are due by 11:59 p.m. (EST) on Thursday.    Write a substantive response to a minimum of three different students. All responses must be posted by 11:59 p.m. (EST) on Sunday. | | 5.3 | 1 posting and responding to 3 students = **1 hour** |
| **Total** |  |  | **5 hours** |
| **Notes** |  | | |

# Notes

Week Five is about GDP and how it is used to measure economic activity over time and across countries. This is illustrated by examining aggregate fluctuations in the Great Depression, and causes of inflation and unemployment. We look at various causes of macroeconomic fluctuations, why GDP and other accounting measures are imperfect, and how the macro economy is increasingly understood through the aggregation of microeconomic principles.

I then turn the discussion to Money; including its evolution, creation, the Federal Reserve, and the gold standard. We extend this discussion into the growth rate of money and its consequences. We analyze the Great Depression and the causes of recession, going into detail about credit expansion, boom and bust cycles and the case for fiscal policy. Following this I cover deficits and introduce monetary rules as an alternative to discretionary monetary policy. Following the Money lecture, students will view Quantitative Easing Explained

I then discuss global economic growth and how a country’s economic success depends on certain sources of economic growth.

In the appendix I explain the Financial Crisis of 2008. Starting with the collapse of Lehman Brothers, we explore government bailouts, and contrast the idea of “too big to fail” with the entrepreneurial perspective. I introduce the concept of moral hazard, and its role in creating the subprime mortgage crisis. During this discussion I re-introduce the idea that profits and losses go together, and that bailouts stop businesses from experiencing losses, thus mitigating the market process by substituting the government for the entrepreneur. I close the course by contrasting two extreme views of social and economic organization with quotes from Karl Marx on pure Communism and Ayn Rand on pure (laissez faire) Capitalism.

# Content Outline

Please use this Content Outline to guide students through the course material.

1. Measuring Economic Performance
   1. Microeconomic vs. macroeconomic analysis
   2. Gross Domestic product (GDP)
      1. Final goods and services
         1. Logger/bookcase example
   3. Aggregate fluctuations
      1. The Great Depression
      2. Unemployment
      3. Inflation
         1. Consumer Price Index (CPI)
   4. Macroeconomic cycles
      1. Natural adjustments to external shocks (e.g., earthquakes)
      2. Economic systems transmit viruses (e.g., bad weather)
      3. Limitations of national measures (GDP,CPI, unemployment)
      4. Microeconomics as the foundation of macroeconomics
2. Money
   1. Evolution and nature of money
   2. The creation of money
      1. Examples from Economic Way of Thinking textbook: Money supply and the example of the $500 loan
   3. Credibility and confidence in money
      1. Banks and regulation
   4. The Federal Reserve (The Fed)
      1. Federal insurance Deposit Corporation (FDIC)
      2. Discount rate
      3. Open Market Operations
      4. Discretionary monetary policy
   5. The gold standard
3. Demand Management and Fiscal Policy
   1. Growth rate of money
   2. The Great Depression
      1. Communist theory and capitalism’s inner contradictions
   3. Recessions as a cluster of errors
      1. Possible causes, length and severity
      2. Expansionary monetary policy and credit expansion
      3. Boom and bust cycle
      4. Monetary equilibrium and monetary policy
      5. The case for fiscal policy (aggregate demand management)
      6. Timing of fiscal policy, monetary policy and politics
      7. Deficits
      8. Monetary rules
4. Globalization and Economic Growth
   1. Economics and social systems
   2. Measuring wealth and poverty with GDP (the World Bank)
   3. The historical record
      1. Economic growth is based on surplus (profits)
         1. Conquest and colonization do not provide adequate explanations
         2. Various growth rates for Latin America, Soviet Union, Europe. Asia
   4. Sources of economic growth
   5. Foreign investment (private and public)
   6. Human capital
   7. Economic Freedom Index and per capita GDP
   8. Global economic growth by select regions
      1. Asia
      2. Latin America
      3. Africa
   9. Politics and economic growth
5. The Financial Crisis of 2008
   1. Historic Crunch on Wall Street and the collapse of Lehman Brothers
   2. Examples of taxpayer funded bailouts
      1. AIG
      2. General Motors
      3. Fannie Mae and Freddie Mac
   3. “Too big to fail” and the entrepreneurial perspective
   4. Moral hazard
   5. The Community Reinvestment Act
   6. Incentives and the sub-prime mortgage crisis
   7. The housing “bubble”
   8. Profits, losses and bailouts
   9. Beyond economics: Karl Marx vs. Ayn Rand

# Breakdown of Academic Instructional Equivalencies

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| --- | --- | --- |
|  |  |  |
| **Week 1** |  |  |
| Required |  | 7 hours 45 minutes |
| **Week 2** |  |  |
| Required |  | 6 hours |
| **Week 3** |  |  |
| Required |  | 7 hours, 30 minutes |
| **Week 4** |  |  |
| Required |  | 9 hours, 30 minutes |
| **Week5** |  |  |
| Required |  | 11 hours, 30 minutes |
|  |  |  |
| **Total Hours** |  | 42 hours 15 minutes |