

Course Outline

1. Course Number and Title: Econ101: Introduction to Political Economy

2. Course Description: Introduction to Political Economy covers the basics of the market process and the role of government in allocating resources. It includes basic supply and demand analysis of the classical equilibrium model, as well as the fundamentals of the Austrian school of economics, which emphasizes the market as a process. The course also explores the role of government in economic systems, both from an efficiency viewpoint and a justice viewpoint. A study of the role of constitutions as mechanisms for limiting government allows students to cultivate an appreciation for the preservation of liberty. In addition, the course considers evidence that free markets will outperform other methods of organizing resource allocation.

3. Course Goals: The purpose of this course is to provide the student with an understanding of how the market system for allocating resources works, why this system will outperform other methods of resource allocation in creating prosperity for all, and the nature of political and institutional structures necessary for the market system to function.

4. Course Learning Outcomes: Introduction to Political Economy establishes the fundamentals and procedures of analysis as applied to both microeconomic and macroeconomic issues. In addition, it allows the student to explore the philosophical underpinnings of individual freedom within collective society. Upon completion of the course, the student will be able to:

1. Illustrate the basic principles of demand, supply, marginal analysis, and elasticity
2. Predict a change in equilibrium price and quantity from a change in market conditions
3. Contribute to a debate about the role of profit in a market economy
4. Explain the foundations of classical liberal thought
5. Articulate what Bastiat believes is a just government
6. Define the meaning of a free society
7. Distinguish between a general rule and a command
8. Discuss why innovation is the key to Western economic growth
9. Illustrate the principle of comparative advantage
10. Present the foundations of Keynesian macroeconomic theory

5. Course Concepts

1. Supply and Demand
2. Market Equilibrium
3. The Role of Government in Resource Allocation
4. The Framework of Free Societies
5. The Gains from Trade
6. The Role of Government in Administering Macroeconomic Policy

6. Required Texts

Frederic Bastiat, *The Law*, available online at:

http://bastiat.org/en/the_law.html

<http://www.econlib.org/library/Bastiat/basLaw.html>

Ludwig von Mises, *Liberalism*, available online at:

<http://mises.org/liberal.asp>

Frederick Hayek, *The Constitution of Liberty* (Chicago: University of Chicago Press, 1978). ISBN-13: 9780226320847. \$26.00

Nathaniel Rosenberg and L. E. Birdzell, *How the West Grew Rich*, Basic Books, 1987. ISBN-13: 9780465031092. \$24.50

Gary Wolfram, *Towards a Free Society*, McGraw-Hill College Edition, 1993. ASIN: 0070715238. Out of Print. Provided free of charge to enrolled students by license from the author.

Course Syllabus

Course Number: Econ101

Course Title: Introduction to Political Economy

Faculty: Gary Wolfram, Ph.D.

Faculty: Debbie Evercloud, Ph.D.

Performance Requirements/Course Grade/Grade Rubrics:

Students are ultimately responsible for participating in the course through the following academic activities: uploading assignments, posting to discussion folders, and responding to instructor inquiries. Students are expected to be involved in ongoing instructional activities based on the recommended schedule for course completion as detailed in the syllabus. Accordingly, students must stay in contact with their instructor on a regular basis.

Assessments:

■ Quizzes:

At the end of each of the ten sessions in this course there will be a quiz. Each quiz will have 10 multiple-choice questions, 10 true/false questions, and one short essay. Each quiz is valued at 3% and the value of all quizzes totals 30%.

■ Contributions to Discussion Topics:

There is one Discussion Topic for each session. Please respond to these topics with a brief (250 word) response. Each response is valued at 3% for a total value of 30% for contributions to Discussions.

■ **Term Paper:** A term paper is due in draft form at the end of session 8. Consult with your instructor to select a suitable public policy issue as the subject of this term paper. This term paper is designed to allow you to use what you have learned in the course to analyze a current public policy problem. Your grade on this writing assignment will be largely based in part on how well you integrate the material from the course into your discussion. The term paper is worth 40% of your final grade.

Assessment percentage total:

10 Quizzes	30%
Discussion Topics	30%
Term Paper	40%
Total	100%

Recommended Schedule for Course Completion

Session 1: Demand, Marginal Analysis, Elasticity

Reading: Towards A Free Society, Chapters 1 and 2

Audio Lecture: 6 parts (25 minutes total)

Quiz 1.

Discussion Question

Sometimes people who are critical of free enterprise will argue that “production should be directed towards the well-being of society, not towards the profit motive”. What comment would you offer in response to this view?

Learning Outcomes: The student will be able to:

1. Identify the reasons for the downward slope of the demand curve
2. Explain the allocative role of the price mechanism
3. Distinguish between demand and quantity demanded

Session 2: Supply, Opportunity Cost, Equilibrium

Reading: Towards A Free Society, Chapters 3 and 4

Read Study Guide for Session 2.

Audio Lecture: 4 parts (22 minutes total)

Quiz 2.

Discussion Question

Suppose the government destroys marijuana crops when found and otherwise reduces the supply of marijuana. Explain what will happen to the equilibrium price and quantity of marijuana. If the demand for marijuana is inelastic in the relevant range, what will happen to total expenditures on marijuana? What will

happen to the price and quantity of cocaine (a substitute good), and the amount spent on cocaine? What alternative government policy could be used to reduce the price and quantity consumed of marijuana?

Learning Outcomes: The student will be able to:

1. Provide examples of opportunity costs
2. Justify the upward slope of the supply curve
3. Predict a change in equilibrium price and quantity from a change in market conditions

Session 3: Market vs. Planned Economy

Reading:

Towards A Free Society, Chapters 5
Liberalism, Introduction and Chapter 1
Read Study Guide for Session 3

Audio Lecture: 3 parts (20 minutes total)
Quiz 3.

Discussion Question

Pick three foundations of classical liberalism and explain why each of them is necessary for market capitalism to work.

Learning Outcomes: The student will be able to:

1. Contribute to a debate about the role of profit in a market economy
2. Distinguish between economic profit and accounting profit
3. Illustrate the effect of taxes on market outcomes

Session 4: Market vs. Planned Economy, continued

Reading:

Towards a Free Society Chapter 6
Liberalism, Chapters 2, 4, and 5
Read Study Guide for Session 4

Audio Lecture: 10 parts (50 minutes total)
Quiz 4.

Discussion Question

Why is it that socialism will fail to result in high standards of living?

Learning Outcomes: The student will be able to:

1. Discuss the foundations of classical liberal thought

2. Critique the efficiency of free markets
3. Explain why socialism or any other form of central planning cannot result in an efficient use of resources.

Session 5: Role of Government

Reading:

Towards A Free Society, Chapter 7

The Law, the entire book

Read Study Guide for Session 5

Audio Lecture: 3 parts (15 minutes total)

Quiz 5.

Discussion Question

Social Security currently taxes everyone who receives a paycheck and uses this money to provide benefits to people who are of a certain age and are retired. What would Bastiat think of such a law? Does the popularity of Social Security suggest anything about the ability of people to determine the difference between justice and injustice?

Learning Outcomes: The student will be able to:

1. Apply the theory of rent seeking to current policy issues
2. Contribute to a discussion about Bastiat's concept of a just government
3. Debate Bastiat's concept of legalized plunder

Session 6: Characteristics of a Free Society

Reading:

Towards A Free Society, Chapters 8 and 9

Constitution of Liberty, Introduction, Chapters 1, 2, 4, 5, and 7

Read Study Guide for Session 6

Audio Lecture: 5 parts (20 minutes total)

Quiz 6.

Discussion Question

How does Hayek define freedom? Are Americans more free today than they were 50 years ago? How are responsibility and freedom related?

Learning Outcomes: The student will be able to:

1. Articulate the importance of freedom for making efficient use of knowledge
2. Define the meaning of a free society
3. Assess the strengths and limitations of democracy

Session 7: Constitutions

Reading:

Towards A Free Society, Chapters 9 and 10,
Constitution of Liberty, Chapters 9, 10, 11, 12
Read Study Guide for Session 7

Audio Lecture: 3 parts (15 minutes total)
Quiz 7.

Discussion Question

What are the basics for human progress as discussed in Chapter 11 of Towards a Free Society? Are there societies that you know of which have advanced standards of living without these characteristics?

Learning Outcomes: The student will be able to:

1. Identify the origins of constitutional law
2. Analyze the provisions of the U.S. constitution, which preserve economic freedom
3. Distinguish between a general rule and a command

Session 8: Historical Perspectives

Reading:

Towards a Free Society, Chapters 11 and 12
How The West Grew Rich, Chapters 1, 2, 3
Brian Westbury, "Nuts," located in Lectures/Texts
Read Study Guide for Session 8

Audio Lecture: 5 parts (22 minutes total)
Quiz 8.
Draft of Term Paper Due.

Discussion Question

What are the basic characteristics of the feudal period? What led to the collapse of the feudal system? In what ways did the feudal period laid the foundation for the emergence of the market system of Western civilization?

Learning Outcomes: The student will be able to:

1. Discuss why innovation is the key to Western economic growth
2. Distinguish between the intent of a constitution and the role of ordinary laws
3. Account for the importance of the specialization of labor

Session 9: Historical Perspectives, continued

Reading:

Towards A Free Society, Chapters 12 and 13,

How The West Grew Rich, Chapters 4-10

Audio Lecture: 2 parts (19 minutes total)

Quiz 9.

Discussion Question

Rosenberg and Birdzell discuss the fact that industrialization in the West did not occur in a vacuum. There had to be parallel changes in other areas of the economy. How would you employ their analysis in trying to construct advice for the government of an underdeveloped country that is trying to establish institutions, which will nurture economic growth?

Learning Outcomes: The student will be able to:

1. Illustrate the principle of comparative advantage
2. Identify the sources of economic growth
3. Construct an economic growth plan for a developing country

Session 10: Fiscal and Monetary Policies

Reading: Towards A Free Society, Chapters 14, 15, and 16

Audio Lecture: 2 parts (23 minutes total)

Quiz 10

Term Paper Due upon concluding this session.

Discussion Question

Suppose you are a Keynesian macroeconomist and the economy is in a state of high unemployment. Give two fiscal policy recommendations that would increase gross domestic product and trace the steps by which they would impact employment, prices, and output.

Learning Outcomes: The student will be able to:

1. Present the foundations of Keynesian macroeconomic theory
2. Explain the functions of the Federal Reserve
3. Illustrate the connection between monetary variables and real variables