

## Introduction to Economic Thought

**Course code:** ECO105/5

**Term and year:** Fall 2021

**Day and time:** Tuesday 14:45–17:30

**Instructor:** Ing. Miroslav Svoboda, Ph.D.

**Instructor contact:** [miroslav.svoboda@aauni.edu](mailto:miroslav.svoboda@aauni.edu)

**Consultation hours:** Wednesday, 11:00-11:30 and 14:15-14:45

<b>Credits US/ECTS</b>	3/6	<b>Level</b>	Introductory
<b>Length</b>	15 weeks	<b>Pre-requisite</b>	TOEFL iBT 71
<b>Contact hours</b>	42 hours	<b>Course type</b>	Bachelor General Education Course

### 1. Course Description

Course is an introduction to economic thought. It introduces basic principles of human action (action, scarcity, costs, possibility frontier, law of diminishing marginal utility, demand, supply, consumption, production) and its consequences. It shows how economy works and introduces basic economics models: pure command economy (purpose-oriented rules, bureaucratic control, problem of economic calculation, principal-agent problem), pure market economy (property rights, exchange, comparative advantage, competition, entrepreneur discovery, firm, money, public goods) and mixed (democratic) economy. It stresses the role of institutions in a society.

### 2. Student Learning Outcomes

Upon completion of this course, students should be able to:

- interpret both everyday situations and issues of economic policy through basic economic concepts;
- detect unintended consequences of human action (including the ones of economic policy);
- critically assess the media image of social reality;
- identify the essential attributes of modern society;
- distinguish the main streams of the current debate over capitalism.

### 3. Reading Material

#### **Required Materials**

All materials can be accessed via NEO. Most of the reading will come from:

- Boettke, P. J., Heyne, P. T., Prychitko, D. L. *The Economic Way of Thinking*
- Cowen, T., Tabarok, A. *Modern Principles of Economics*
- Mankiw, N., & Taylor, M. *Economics*
- Articles or additional materials provided in class and/or on NEO

#### **Recommended Materials**

- Hazlitt, H. *Economics in One Lesson*
- Landsburg, S. *The Armchair Economist*
- Schiff, A. J., Schiff, P. D. *How an Economy Grows and Why It Crashes*

#### 4. Teaching methodology

Seminars with problem solving and discussions.

#### 5. Course Schedule

Date	Class Agenda
<b>Science, Social Science, Economics</b>	
Lesson 1 Aug 31	<p><b>Topic: Introduction. Scientific thinking</b> How scientists think. What is the difference between natural science and social science? Human action as motivated behavior. (Circumstances + Ends = Incentives → Action.) Role of incentives. Unintended consequences of action and interactions.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read The Armchair Economist, chapter 1 "The Power of Incentives".</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Participate in a discussion board (details below).</li> <li>Take an online quiz (details below).</li> </ul>
Lesson 2 Sep 7	<p><b>Topic: Economics as a science. Economic axioms. Opportunity Cost</b> Action as purposeful behavior. Action as choice. Concept of goods, scarcity, trade-off. Definition of economics. The concept of cost.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read The Economic Way of Thinking, chapter 1 "The Economic Way of Thinking".</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> <li>Submit a reflective assignment (details below).</li> </ul>
<b>Economic Principles</b>	
Lesson 3 Sep 14	<p><b>Topic: Structure of Human Action. Time. Investment and Growth</b> Economic agent. Total benefit. World, will, power. Goods vs. Conditions. Free vs. scarce goods. Opportunities. Expected marginal benefits. Choice. Expected marginal cost. Economizing. Time. Positive and normative economics. Past – sunk cost. Future – time preference; consumption vs. production; consumption goods vs. production goods; types of production goods (natural resources, capital, labor). Saving and investment. Concept of time in history. Economic Growth.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read The Economic Way of Thinking, appendix "The Coordinating Roles of Money and Interest" to chapter 5.</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> </ul>
Lesson 4 Sep 21	<p><b>Topic: Marginal Thinking</b> Indivisible vs. divisible goals. Paradox of value. Total vs. marginal benefit. Possibility frontier – budget constraint, production possibility frontier. Law of diminishing marginal benefit.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul>

	<p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> <li>Submit a reflective assignment (details below).</li> </ul>
Lesson 5 Oct 5	<p><b>Topic: Goods. Demand. Supply.</b> Normal vs. inferior goods. Necessary vs. superior goods. Effect of change in wealth on budget constraint. Substitutes, complements, price. Effect of price changes on budget constraint. Demand. Supply.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read The Economic Way of Thinking, chapter 3 "Substitutes Everywhere: The Concept of Demand" and chapter 4 "Opportunity Cost and the Supply of Goods".</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Participate in a discussion board (details below).</li> <li>Take an online quiz (details below).</li> </ul>
Lesson 6 Oct 12	<p><b>Topic: Strength and limits of economic laws</b> Demand. Supply. Ceteris paribus principle. Knowledge "what happens if" vs. "what to do so that". Social phenomena. Bounded rationality.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read Mankiw, N., &amp; Taylor, M.: Economics (5th ed.), chapter 2 (Thinking like an economist) and the end of chapter 4 (Background to Demand: Consumer Choices - Behavioural Approaches to Consumer Behaviour)</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> <li>Submit a reflective assignment (details below).</li> </ul>
<b>Formation of Society</b>	
Lesson 7 Oct 19	<p><b>Topic: Formation and Principles of Society</b> Society as a network of interpersonal relationships and rules reflected in our thinking, speaking, acting. Social phenomena. Design vs. emergence. Conflict over scarce resources. Tragedy of commons. Precedence rules: purpose-oriented rules (public-property rights) vs. anti-conflict, purpose-free rules (private-property rights). Historical societies.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> </ul>
<b>Command Economy</b>	
Lesson 8 Nov 2	<p><b>Topic: Command Economy</b> Public interest. Ruler vs. subjects. Organization vs. organism. Commands vs. rules. Delegation of powers. Administration rules. Bureaucratic management. Problem of economic calculation (administrative prices, diffused knowledge). Coordination problem. Agency dilemma (principal-agent problem). Viability of command economy.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> </ul>

	<ul style="list-style-type: none"> <li>Submit a reflective assignment (details below).</li> </ul>
<b>Market Economy</b>	
Lesson 9 Nov 9	<p><b>Topic: Market economy: Principles.</b> Private-property rights. Voluntary exchange. Absolute vs. comparative advantage. Division of labor and its consequences for structure of economy.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read The Economic Way of Thinking, chapter 2 "Efficiency, Exchange, and Comparative Advantage".</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Participate in a discussion board (details below).</li> <li>Take an online quiz (details below).</li> </ul>
Lesson 10 Nov 16	<p><b>Topic: Market economy: Market and Price System</b> Competition. Market. Market demand and market supply. Market clearing. Market price functions (information, motivation, rationing). Price system. Spontaneous order.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read The Economic Way of Thinking, chapter 5 "Supply and Demand: A Process of Cooperation".</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> <li>Submit a reflective assignment (details below).</li> </ul>
Lesson 11 Nov 23	<p><b>Topic: Market economy: Entrepreneurship. Firm. Collective Ownership</b> Entrepreneurship: Transaction costs. Entrepreneurial discovery (middleman, imitator, innovator). Arbitrage and speculation. Firm: Why firms exist (transaction costs, uncertainty). Firms as an organization (command society). Collective ownership. Collective action problem (diffused interest, coordination cost).</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read The Economic Way of Thinking, chapter 7 "Profit &amp; Loss".</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> </ul>
Lesson 12 Nov 30	<p><b>Topic: Market economy: Sustainability</b> Three foundation stones (definition of property rights, enforcement of property rights, tradability of property rights). Free-rider problem. Public goods. Anarchocapitalism.</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>Read/watch instructions and access assigned sources in NEO.</li> <li>Read The Economic Way of Thinking, chapter 10 "Externalities and Conflicting Rights".</li> <li>Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>Take an online quiz (details below).</li> <li>Submit a reflective assignment (details below).</li> </ul>
<b>Mixed Economy. Macroeconomic Phenomena. Ethics</b>	
Lesson 13	<p><b>Topic: Mixed Economy. Macroeconomic phenomena</b></p>

Dec 7	<p>Comparison of command economy and market economy. Democratization. Marketization. Principal-agent problem, collective action problem, problem of economic calculation.</p> <p>Money, inflation, central bank, business cycle. GDP. Unemployment. Budget, Taxes. International trade</p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>▪ Read/watch instructions and access assigned sources in NEO.</li> <li>▪ Read The Economic Way of Thinking, chapter 11 "Markets and Government" and chapter 12 "Measuring the Overall Performance of Economic Systems"</li> <li>▪ Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>▪ Take an online quiz (details below).</li> <li>▪ Participate in a discussion board (details below).</li> </ul>
Lesson 14 Dec 14	<p><b>Topic: Ethics and Economics</b></p> <p>Exploitation. Meddlesome preferences. Poverty, inequality, and distribution of income. Economic ethics.</p> <p><b>Final Test</b></p> <p><b>What to do before the class session:</b></p> <ul style="list-style-type: none"> <li>▪ Read/watch instructions and access assigned sources in NEO.</li> <li>▪ Read Modern Principles of Economics, chapter 21 "Economics, Ethics, and Public Policy".</li> <li>▪ Submit two questions regarding the topic to NEO (details below).</li> </ul> <p><b>What to do after the class session:</b></p> <ul style="list-style-type: none"> <li>▪ Submit a reflective assignment (details below).</li> </ul>

## 6. Course Requirements and Assessment (with estimated workloads)

Assignment	Workload (average)	Weight in Final Grade	Evaluated Course Specific Learning Outcomes	Evaluated Institutional Learning Outcomes*
Class Preparation	42	12 %		
Attendance and Class Participation	21	12 %	Ability to engage in discussions, communicate thoughts effectively.	1, 2
Discussion board Participation	12	6 %	Ability to engage in discussions, communicate thoughts effectively.	1, 2
Reflective Assignments	28	18 %	Have a clear understanding of the necessary terminology. Comprehend the basic concepts of economic thinking. Place the studied concepts in the context of real-life situations.	1
Quizzes	28	28 %		

Final Test	19	24 %	Have a clear understanding of the necessary terminology. Comprehend the basic concepts of economic thinking. Place the studied concepts in the context of real-life situations.	
<b>TOTAL</b>	<b>150</b>	<b>100%</b>		

\*1 = Critical Thinking; 2 = Effective Communication; 3 = Effective and Responsible Action

***Class Preparation – Thoughtful Questions:***

Class Preparation is measured by submitting two questions to be addressed at the next class session. After students watch the assigned videos, listen to podcasts or read the readings, they are required to formulate one or two thoughtful questions to the instructor that they haven't got an answer to in the assigned sources. The questions should be about what they do not understand, about what is hard to accept, or about possible extension of the topic. Each of the two questions shall refer to a particular assigned source, include supportive explanation or argumentation, and be at least 100 words long.

There are 14 submissions, 1 point each; the best 12 outcomes count towards the final grade. Late submissions are not accepted.

Assessment breakdown:

<b>Situation</b>	<b>Grading</b>
All of the following is met: <ul style="list-style-type: none"> <li>• Two questions are posted.</li> <li>• Each question explicitly refers to a particular assigned source.</li> <li>• Each question includes a supportive explanation or argumentation.</li> <li>• Each question is at least 100 words long.</li> </ul>	100 %
One question is posted but all the remaining conditions are met.	50 %
Both questions are posted but only two of the remaining conditions are met.	50 %
Other cases	0 %
Plagiarism found in the text.	0 %

***Class Participation:***

Class participation means that a student participates in discussions, does class exercises, and is willing to answer questions. There are 14 sessions, 1 point each; the best 12 outcomes count towards the final grade. If students come late (after the instructor finishes the attendance check), they can't get points for participation.

***Discussion Board Participation:***

Students are expected to participate in the online discussion boards in NEO. Students post their original postings and at least two replies to other postings.

There are 4 discussion boards during the term, 2 points each; the best 3 outcomes count towards the final grade. Late submissions are not accepted.

- The formal requirement for the original posting: It shall respond to the assigned discussion prompt and be at least 200 words long. On top of the student's own thoughts, it shall be supported by a real-life example, or by a reference to an external source (news in media, a book, a movie, etc.).
- The formal requirement for the feedback to someone else's original posting: It shall be structured along the 3C + Q method developed by Jennifer Stewart-Mitchell. That is, it starts with a Compliment (for example "I like the point...", "I like how..."),

continues with a Comment (for example "I agree with you about... because...", "I disagree with... because..."), followed by a Connection – connect what the person wrote with something you know (another text, your experience, common sense, etc.) (for example "I can connect with you about...", "I also have read/thought that..."). It ends with a Question (for example, "I wonder who/what/when/where/why/how...").

- The formal requirement for the reply to the feedback to your original posting: It shall be 100 words long.

Assessment breakdown:

<b>Situation</b>	<b>Grading</b>
The student posts all three postings on time, meeting the formal requirements.	100 %
The student posts the first two postings on time, meeting the formal requirements.	50 %
The student posts only one posting on time, meeting the formal requirements.	25 %
The student fails to post any of the postings on time or meet the formal requirements.	0 %

### **Reflective Assignments:**

Students should find a situation from their daily lives or a newspaper/magazine article and 1) briefly summarize the article/situation, 2) explain how it is related to the assigned economic concept in question, and 3) describe how economics can explain or improve the situation. The required length is at least 400 words. All sources must be properly referenced, and direct quotes must be enclosed in quotation marks. When describing daily-life situations, pictures or other supporting materials are recommended.

There are 7 possible submissions, 3 points each; the best 6 outcomes count towards the final grade. Late submissions are not accepted.

Assessment breakdown:

<b>Situation</b>	<b>Grading</b>
All of the following is met: <ul style="list-style-type: none"> <li>• The reflection document is at least 400 words long.</li> <li>• The document includes a heading, the author's name, and a properly formatted bibliography at the end.</li> <li>• All sources are properly referenced, and direct quotes are in quotation marks.</li> <li>• The text is explicitly about a real-life situation, builds a reasonable connection to the assigned economic concept, and describes how economics can explain or improve the situation.</li> </ul>	100 %
One question is posted but all the remaining conditions are met.	50 %
Both questions are posted but only two of the remaining conditions are met.	50 %
Other cases	0 %
Plagiarism found in the text.	0 %

### **Quizzes:**

Online quizzes in NEO check the knowledge of assigned sources and knowledge from class sessions. There are 13 quizzes in total, 1 point each; the best 12 outcomes count towards the final grade. Missed quizzes cannot be made up.

### **Final Test:**

The test will cover all the topics discussed so far (both the content of classes and the assigned readings). The test will be closed-book and timed. Tests missed due to an excused absence can be retaken later (with different questions) as determined by the instructor (at most within a week after the excused absence is confirmed by the dean's office).

## **7. General Requirements and School Policies**

### ***General requirements***

All coursework is governed by AAU's academic rules. Students are expected to be familiar with the academic rules in the Academic Codex and Student Handbook and to maintain the highest standards of honesty and academic integrity in their work.

### ***Electronic communication and submission***

The university and instructors shall only use students' university email address for communication, with additional communication via NEO LMS or Microsoft Teams. Students sending e-mail to an instructor shall clearly state the course code and the topic in the subject heading, for example, "COM101-1 Mid-term Exam. Question". All electronic submissions are through NEO LMS. No substantial pieces of writing (especially take-home exams and essays) can be submitted outside of NEO LMS.

### ***Attendance***

Attendance, i.e., presence in class in real-time, is expected and encouraged. However, the requirement that students miss not more than 35% of real-time classes is temporarily suspended due to the COVID-19 pandemic.

### ***Absence excuse and make-up options***

Should a student be absent from classes for relevant reasons (illness, serious family matters), and the student wishes to request that the absence be excused, the student should submit an Absence Excuse Request Form supplemented with documents providing reasons for the absence to the Dean of Students within one week of the absence. If possible, it is recommended the instructor be informed of the absence in advance. Should a student be absent during the add/drop period due to a change in registration this will be an excused absence if s/he submits an Absence Excuse Request Form along with the finalized add/drop form.

Students whose absence has been excused by the Dean of Students are entitled to make up assignments and exams provided their nature allows. Assignments missed due to unexcused absences which cannot be made up, may result in a decreased or failing grade as specified in the syllabus.

Students are responsible for contacting their instructor within one week of the date the absence was excused to arrange for make-up options.

***Late work:*** No late submissions will be accepted – please follow the deadlines.

### ***Electronic devices***

Electronic devices (e.g. phones, tablets, laptops) may be used only for class-related activities (taking notes, looking up related information, etc.). Any other use will result in the student being marked absent and/or being expelled from the class. No electronic devices may be used during tests or exams unless required by the exam format and the instructor.

***Eating*** is not allowed during classes.

### ***Cheating and disruptive behavior***

If a student engages in disruptive conduct unsuitable for a classroom environment, the instructor may require the student to withdraw from the room for the duration of the class and shall report the behavior to the student's Dean.

Students engaging in behavior which is suggestive of cheating will, at a minimum, be warned. In the case of continued misconduct, the student will fail the exam or assignment and be expelled from the exam or class.



## ***Plagiarism and Academic Tutoring Center***

Plagiarism is “the unauthorized use or close imitation of the language and thoughts of another author and the representation of them as one’s own original work.” (Random House Unabridged Dictionary, 2nd Edition, Random House, New York, 1993)

Turnitin’s White Paper ‘The Plagiarism Spectrum’ (available at <http://go.turnitin.com/paper/plagiarism-spectrum>) identifies 10 types of plagiarism ordered from most to least severe:

1. CLONE: An act of submitting another’s work, word-for-word, as one’s own.
2. CTRL-C: A written piece that contains significant portions of text from a single source without alterations.
3. FIND-REPLACE: The act of changing key words and phrases but retaining the essential content of the source in a paper.
4. REMIX: An act of paraphrasing from other sources and making the content fit together seamlessly.
5. RECYCLE: The act of borrowing generously from one’s own previous work without citation; To self-plagiarize.
6. HYBRID: The act of combining perfectly cited sources with copied passages—without citation—in one paper.
7. MASHUP: A paper that represents a mix of copied material from several different sources without proper citation.
8. 404 ERROR: A written piece that includes citations to non-existent or inaccurate information about sources
9. AGGREGATOR: The “Aggregator” includes proper citation, but the paper contains almost no original work.
10. RE-TWEET: This paper includes proper citation, but relies too closely on the text’s original wording and/or structure.

At minimum, plagiarism from types 1 through 8 will result in a failing grade for the assignment and shall be reported to the student’s Dean. The Dean may initiate a disciplinary procedure pursuant to the Academic Codex. Allegations of bought papers and intentional or consistent plagiarism always entail disciplinary hearing and may result in expulsion from AAU.

If unsure about technical aspects of writing, and to improve their academic writing, students are encouraged to consult with the tutors of the AAU Academic Tutoring Center. For more information and/or to book a tutor, please contact the ATC at: <http://atc.simplybook.me/sheduler/manage/event/1/>.

### ***Course accessibility and inclusion***

Students with disabilities should contact the Dean of Students to discuss reasonable accommodations. Academic accommodations are not retroactive.

Students who will be absent from course activities due to religious holidays may seek reasonable accommodations by contacting the Dean of Students in writing within the first two weeks of the term. All requests must include specific dates for which the student requests accommodations.

## 8. Grading Scale

Letter Grade	Percentage*	Description
A	95-100	<b>Excellent performance.</b> The student has shown originality and displayed an exceptional grasp of the material and a deep analytical understanding of the subject.
A-	90-94	
B+	87-89	<b>Good performance.</b> The student has mastered the material, understands the subject well and has shown some originality of thought and/or considerable effort.
B	83-86	
B-	80-82	
C+	77-79	<b>Fair performance.</b> The student has acquired an acceptable understanding of the material and essential subject matter of the course, but has not succeeded in translating this understanding into consistently creative or original work.
C	73-76	
C-	70-72	
D+	65-69	<b>Poor.</b> The student has shown some understanding of the material and subject matter covered during the course. The student's work, however, has not shown enough effort or understanding to allow for a passing grade in School Required Courses. It does qualify as a passing mark for the General College Courses and Electives.
D	60-64	
F	0-59	<b>Fail.</b> The student has not succeeded in mastering the subject matter covered in the course.

\* Decimals should be rounded to the nearest whole number.

Prepared by: Miroslav Svoboda

Date: July 26, 2021

Approved by:

Date: Jan Vašenda, Dean, School of Business Administration, August 26, 2021