

Economic Process I

Note: The following best practices syllabus was created using a compilation of the teaching strategies of the Henry Hazlitt Center professors whose students obtained the best performance results per theme including corresponding concepts. Mastery was determined using average test scores per theme, and was compared with teacher evaluation scores based on surveys completed by students.

THEME AND CONCEPT LIST

- 1. Foundations of human action**
 - a. Ends and means
 - b. Opportunity costs
 - c. Time
 - d. Uncertainty and risk
- 2. Marginal value**
 - a. Marginal utility
- 3. Exchange**
 - a. Private property
 - b. Division of labor and specialization
 - c. Law of Comparative Advantage
- 4. Markets**
 - a. Market price formation
 - b. Consumer and supplier benefits
 - c. Elasticities of supply and demand
 - d. Price intervention and its consequences
- 5. Capital**
 - a. Time preference and interest
 - b. Savings, consumption, and loans
 - c. Capital formation
 - d. Production process and capital structure
- 6. The labor market**
 - a. Productivity
 - b. Law of Diminishing Marginal Returns
 - c. Value of marginal labor productivity and salaries

- d. Effects of market supply and demand on salaries
- 7. **Role of business in market**
 - a. The entrepreneur's role in the market
 - b. Economic calculation
 - c. Enterprise benefits and losses
 - d. Wealth distribution

DESCRIPTION BY THEME

1. Foundations of human action

SUMMARY

This subject summarizes the basic concepts of human action, including the ends and means that motivate it, opportunity costs, the relevance of time, and the effects of uncertainty and risk have in individual's decisions.

MAIN OBJECTIVES

Have students understand that human beings act deliberately to reach a state of lesser dissatisfaction, according to their given surroundings, and to explore the means they use to get there.

METHODOLOGY

- Exposure to the main themes in the assigned readings.
- Dialogue between students and professor, exemplifying established points as premises of human action.

REFERENCES: READINGS AND LITERATURE

1. Rothbard: Man, Economy and State. Chapter.1, 1 - 4.
2. Paul Heyne, Peter Boettke, David Prychitko: The Economic Way of Thinking Chapter 1, pages 3-17, Twelve Edition.
3. Ludwig von Mises: Human Action, Ch.1 Man in action. 1,2,5.

4. Manuel Ayau: The Economic Process. Ch. 2, Social Cooperation, pp 1-5.

REFERENCES: AUDIOVISUAL RESOURCES

1. Videos: 6/11 The entrepreneur's role / Human action. Video: 7/11 Elements of human action, value-end Video: 9/11 /Elements of action.
<http://anarcocapitalista.com/JHSLecciones2.htm>
2. Videos: 11/11 5to. Element of action: Scarcity
<http://anarcocapitalista.com/JHSLecciones2.htm>

EVALUATION METHOD

- Concept evaluation, written.
- Essay assignment: What is human action? ¿Is it relevant in my everyday life?

2. Marginal value

SUMMARY

This subject explains how individuals value goods. The Austrian subjective value theory is explained through marginal utility, considering an individual value scale.

MAIN OBJECTIVES

- Understanding of subjective marginal value and marginal utility.

METHODOLOGY

- Experience, through game (Individual value scale, marginality in choice)

REFERENCES: READINGS AND LITERATURE

- Rothbard: Man, Economy, and State. Cap.1, 5.
- Zanotti: Introducción a la Escuela Austriaca de la Economía. Cap. 2, El Mercado, Parte I, 1) Teorías del Valor y Ley de Utilidad Marginal.

REFERENCES: AUDIOVISUAL RESOURCES

- Marginal value theorem, Martin Krause.
<https://www.youtube.com/watch?v=tbOh6VrzWwQ>
- JHS1104 Utilidad marginal (1). Consideraciones previas.
<https://www.youtube.com/watch?v=fca45EBNK00>
- JHS1105 Ley de la Utilidad Marginal (2). Enunciado.
<https://www.youtube.com/watch?v=JyLNbU3N6kc>
- JHS1106 Utilidad Marginal (3). Es decreciente.
<https://www.youtube.com/watch?v=5TUcYTYaZcs>
- Teoría de valor y función de los precios en un mercado (Ley de imputación).
<https://www.youtube.com/watch?v=Je7eoMb2WEE>

EVALUATION METHOD

- Game-based worksheet.
- Concept mastery test, written.

3. Exchange

SUMMARY

This theme analyzes the importance of exchange, which is possible if goods are property of the individuals participating in it. Understanding that individuals exchange due to what they discover they earn as benefit, and that this constitutes a sum-positive game, is key. Division of labor allows for specialization, and this is possible due to the Law of Comparative Advantage, and through analysis of opportunity costs.

MAIN OBJECTIVES

- To understand the way society arises through exchange and trade
- To understand comparative advantage

- To relate division of labor with specialization

METHODOLOGY

- Discussion and review of relevant points in assigned readings
- Comparative advantage worksheet

REFERENCES: READINGS AND LITERATURE

- Manuel Ayau: Un juego que no suma cero. pp. 13 - 39

REFERENCES: AUDIOVISUAL RESOURCES

- Martin Krause: Derechos de propiedad.
<https://www.youtube.com/watch?v=cvRZTQtRp-M>
- La importancia del intercambio: ley de costos comparativos.
[http://newmedia.ufm.edu/gsm/index.php?title=La importancia del intercambio : Ley de costos comparativos](http://newmedia.ufm.edu/gsm/index.php?title=La_importancia_del_intercambio:_Ley_de_costos_comparativos)
- Trade Is Made of Win," Part 1: Wealth Creation.
<https://www.youtube.com/watch?v=y0gGyeA-8C4>
- Trade Is Made of Win," Part 2: Cooperation.
https://www.youtube.com/watch?v=7yOHjRThM_o
- Trade Is Made of Win," Part 3: Conservation.
<https://www.youtube.com/watch?v=qdcQLWGaJoM>

EVALUATION METHOD

- Comparative advantage exercise worksheet
- Essay on the importance of exchange and trade

4. Markets

SUMMARY

In this unit, students will understand how free and voluntary trade allows for human interaction.

Activities and readings are meant to help students understand how market prices are established due to distinct individual valorization of goods. In a market economy, people must make an effort to satisfy others with the purpose of obtaining profits.

Activities will reflect how resources are allocated efficiently through market, and the importance of the free market system.

MAIN OBJECTIVES

- To conduct analysis of demand
- To conduct analysis of supply
- Market interactions and price formation

METHODOLOGY

- Yo, Lápiz - Video in class
- Dialogue on the essay: *The use of knowledge in society*, Hayek
- Market game (Suppliers and Consumers interact using product cards in class)
- Worksheet on price determining market transactions
- Worksheet on supply and demand shifts

REFERENCES: READINGS AND LITERATURE

- Leonard Read: Yo, un lápiz.
- Friedrich Hayek: El Uso del Conocimiento en la Sociedad
- Heyne: The Economic Way of Thinking, chapter 3. The concept of Demand, pp 45 - 56.
- Heyne: The Economic Way of Thinking. Chapter 4, The concept of Supply, pp 75 - 87.
- Manuel Ayau: The Economic Process..., Capítulo 4, El sistema de precios.

REFERENCES: AUDIOVISUAL RESOURCES

- *I, The Pencil The Movie* Leonard Read.
<https://www.youtube.com/watch?v=CImysFDv5hs>
- El Sistema de precios.

EVALUATION METHOD

- Essay reflecting on the reading: *The use of knowledge in society*
- Worksheet completed during market game
- Worksheet completed on supply and demand shifts and price results
- Test on price equilibrium

5. Capital

SUMMARY

Exploration of this topic begins with the understanding of individual behavior according to time preference, and the effects this has on interest rates, and thus, on capital formation.

Students will understand capital formation and structure based on the Garrison Model, the importance of the interest rate on investment, and the way these determine production and labor market processes.

Learners will understand the incidence of capital increases on true salary amounts and in the lowering of prices, as well as effects on nominal salary.

MAIN OBJECTIVES

- To understand the relationship between time preference and interest rates.
- To understand the incidence of capital and its role in increasing productivity.
- To understand mechanisms for more and better jobs.

METHODOLOGY

- Video: The Marshmallow Test to understand incentives in time preference
- Concept map creation - Driving question - How can we improve quality of life?
- Manuel Ayau video - Important concept designation and discussion by students

- Experiential activity - The importance of savings and its incidence in capital formation
- Roger Garrison presents on capital structure

REFERENCES: READINGS AND LITERATURE

- Murray N. Rothbard: Man, Economy, and State. Chp.1, 9
- Manuel Ayau, The Economic Process., capítulo 8 La función del capital y la remuneración del trabajo

REFERENCES: AUDIOVISUAL RESOURCES

- The Marshmallow Test. Tema: Preferencia temporal.
https://www.youtube.com/watch?v=QX_oy9614HQ
- Cómo mejorar el nivel de vida.
http://newmedia.ufm.edu/gsm/index.php?title=C%C3%B3mo_mejorar_el_nivel_de_vida
- <http://csinvesting.org/wp-content/uploads/2012/06/visual-explanation-of-the-austrian-trade-cycle-by-garrison.pdf>
Presentación estructura del capital Garrison

EVALUATION METHOD

- In-class participation
- Worksheet based on the Garrison Model

6. The labor market

SUMMARY

Understanding of the different factors that influence salary determination, demand, supply, productivity, law of diminishing marginal returns.

MAIN OBJECTIVES

- Understanding of the influence of capital on productivity.

- Identifying the importance of competition for labor services for salary determination.
- Effects of salaries on workers as a factor for production.

METHODOLOGY

- Game based on the increase of productivity secondary to production factor increase.
- Worksheet on the Law of diminishing marginal returns.
- In-class concept discussion.

REFERENCES: READINGS AND LITERATURE

- Rothbard, Man, Economy, and State. Cap.1, 6 y 8
- Gabriel Zanotti, Introducción a la Escuela Austriaca de economía. Capítulo 4 Trabajo y salarios. pp 1 - 9.

EVALUATION METHOD

- Concept mastery tests, written
- Concept mastery evaluations, oral and in discussion

7. Role of business in market

SUMMARY

The role of businessmen and entrepreneurs is crucial to market economic process. All individuals exert an entrepreneurial role. The entrepreneur discovers opportunities, creates new value, perceives changes that must be performed, acts under situations of uncertainty. The businessman or woman is also innovative, and discovers new goods and services that have not yet been created or valued. The process allows for the discovery of resources that have not been used, which may be used to create wealth.

The entrepreneur's main function is, thus, a form of economic calculation.

MAIN OBJECTIVES

- To understand the relationship between the entrepreneur and his or her market
- To visualize the characteristics of an entrepreneur
- To understand the importance of economic calculation

METHODOLOGY

- Audiovisual: Sebastián Landoni video
- Audiovisual: In class video - The Call of the Entrepreneur
- To annotate characteristics of the entrepreneur that are mentioned in the video, to discuss in class
- Personal Enterprise Project - Create an innovative project of your own, analyze its market opportunities, and engage in economic calculation

REFERENCIAS: LECTURAS PARA PROFESOR Y ESTUDIANTE

- Israel M. Kirzner, El empresario.
- Gianella de Vásquez. El Cálculo Económico en el Socialismo. Una Visión Contemporánea. Incisos 2, 3 y 4, páginas 8 a 13.

REFERENCIAS: AUDIOVISUALES

- JHS0201 Función empresarial - Introducción.
https://www.youtube.com/watch?v=g0-Cgc_L30A
- JHS0202 Función empresarial. Definición (1).
<https://www.youtube.com/watch?v=zAayjgEgfUs>
- Empresario y función empresarial - Sebastián Landoni.
<https://www.youtube.com/watch?v=g2EzWWSvg3g>
- The Call of the Entrepreneur, Acton Institute.
<https://www.youtube.com/watch?v=pem0ZSsMQVA>

MÉTODO DE EVALUACIÓN

- In-class participation
- Test on learned concepts on Israel Kirzner's reading
- Content application on the Personal Enterprise Project