



OIKONOMIA

ECONOMICS *for Life and Flourishing*

Student Workbook

PAMELA COOPER • JOSEPH CONNORS

Based on
Common Sense Economics
Fourth Edition

By James D. Gwartney • Richard L. Stroup • Dwight R. Lee • Tawni H. Ferrarini • Joseph P. Calhoun

and

Money, Greed and God
By Jay W. Richards

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Incentives: Markets vs. Government

Concepts, Terms and Topics:

Protective and Productive Roles of Government; Market Failure, Monopoly, Externalities and Public Goods; Government Failure, Special-Interest Policy, Political Incentives, and Economic Inefficiency

DAY 1 – CLASS DAY



LOOKING BACK – WEEK 10

Review Homework
Take Quiz 9



LOOKING AHEAD – WEEK 11

Let's Discuss—*What Do You Think?*
Let's Discuss—Optional Final Project Preparation: DECISION TIME!

DAY 2

READ CSE Part 3 Introduction
Element 1—Government promotes economic progress by...
DO Workbook Questions 1-6

DAY 3

READ CSE Part 3 Element 2—Monopolies and high barriers to entry...
Element 3—Public goods and externalities...
WATCH Video *Learn Liberty—Externalities Potato Chip (4:46)*
DO Workbook Questions 7-13

DAY 4

READ CSE Part 3 Element 4—Allocation through political voting is fundamentally ...
DO Workbook Questions 14-18

DAY 5

READ CSE Part 3 Element 5—Unless restrained by constitutional rules, special-interest ...
READ Article Politics and Foreign Trade by Dwight Lee
DO Workbook Questions 19-24



Once politics becomes a tug-of-war for shares in the income pie, decent government is impossible.

—Friedrich Hayek

Everyone wants to live at the expense of the State. They forget that the State lives at the expense of everyone.

—Frédéric Bastiat



LOOKING BACK—WEEK 10

Review Homework
Take Quiz 9



LOOKING AHEAD—WEEK 11

Let's Discuss—*What Do You Think?*

According to Thomas Jefferson, “A wise and frugal government, [is one] which shall restrain men from injuring one another, which shall leave them otherwise free to regulate their own pursuits of industry and improvements, and shall not take from the mouth of labor the bread it has earned.” What characterizes a “*wise and frugal*” government?

Would people be better off if voting was more widely used to determine what goods should be produced and consumed? Why, or why not?

Let's Discuss—Optional Final Project Preparation: DECISION TIME!



CSE Part 3: Ten Elements of Clear Thinking about Economic Progress and the Role of Government

INTRODUCTION—

1. What is economic efficiency?
2. Public choice is a term that in the last 50 years has become an integral part of economics. To what area of study does the term *public choice* refer?

ELEMENT 1—GOVERNMENT PROMOTES ECONOMIC PROGRESS BY PROTECTING THE RIGHTS OF INDIVIDUALS AND SUPPLYING A FEW GOODS THAT ARE DIFFICULT TO PROVIDE THROUGH MARKETS.

3. In what two ways can government promote social cooperation and enhance its citizens' economic welfare?
4. What is the result of government performing its protective function well? Explain why.



5. Why is the provision of a stable monetary and price environment one of the most important productive functions of government?

6. Why are government projects financed through taxes or through borrowing, difficult to measure in both their costs and their benefits?



11. What are some examples of “public goods” and why are they difficult for markets to provide?

12. Are all goods provided by the government *public goods*? Why, or why not?



13. Define externalities and give an example of one you have personally experienced.



Learn Liberty—Externalities Potato Chip (4:46)

When is a potato chip more than a potato chip? What causes externalities and how can they be “fixed”? This clip explains and answers those questions. It also cautions against potential solutions.



CSE Part 3: Ten Elements of Clear Thinking about Economic Progress and the Role of Government

ELEMENT 4—ALLOCATION THROUGH POLITICAL VOTING IS FUNDAMENTALLY DIFFERENT FROM MARKET ALLOCATION.

14. What are four reasons market allocation leads to greater economic progress than democratic political allocation?



15. What is the “rational ignorance effect”? Explain.

16. Considering the “rational ignorance effect,” how do decisions made by consumers in the marketplace compare to decisions made by consumers regarding how they vote?



17. How is government failure similar to market failure?

18. What did the framers of the Constitution include in order to place restraints on the government’s economic role and how have these restraints eroded over time?





CSE Part 3: Ten Elements of Clear Thinking about Economic Progress and the Role of Government

ELEMENT 5—UNLESS RESTRAINED BY CONSTITUTIONAL RULES, SPECIAL-INTEREST GROUPS WILL USE THE DEMOCRATIC POLITICAL PROCESS TO OBTAIN GOVERNMENT FAVORS AT THE EXPENSE OF OTHERS.

19. What is “the special-interest effect”?

20. What are “logrolling” and “pork-barrel” legislation and how are both used?

21. Explain why special interest programs can retard or create a drag on the economy.



22. Unlike market exchanges, which are win-win activities, “political exchange” activities can be a win-lose activity. List three examples where the business of modern politics has been used to extract resources from the general public in order to provide favors to well-organized voting blocs.





Politics and Foreign Trade by *Dwight Lee* (Online or optional *Articles* book p. 158)

23. Why would workers employed by industries that benefit from trade protections be better off living in an economy with completely free trade?

24. Typically, why don't people realize the costs that are imposed on them through trade restrictions?