

Lecture 1 PE100 2011 Outline

Introductions**I. Hurricane Katrina and the Price Gouging Debate**

A The argument against Price Gouging laws: Price should be determined by supply and demand.

B. Charging exhoribant prices is unfair to those who can't pay for necessities

II. Power, Purpose, and Wealth)

A. Political Economy is about the connection between wealth, purpose, and power:

B. The course is concerned with three questions:

- **Who gets what?....**--that is: how is wealth created and how should it be divided? (wealth)
- **Why?** What **purpose** determines what is produced and how products are divided. Who deserves what and what constitutes a **JUST** distribution of wealth and power?
 - Beneath every purpose is a principle
 - Two principles at odds in Katrina case:
 - fairness/community protection vs. Freedom
- **Says who?** Who should have the **power** to decide the purpose? Who should decide who gets what? This is a question about **power**. The right to command others, to make laws.

III. How do we know if our beliefs about the principles we believe in are right? (Schumpeter reading)**A. What are the best guides to knowing?**

- Is religious faith the best guide to our beliefs?
- Or our upbringing...the guidance of our parents?
- our intuition?
- unconscious rationalizations of our position in life, in the market, in the

power spectrum?

B. Beliefs much be shaped by Reason Reason is making conscious connections among the three parts of political economy and being able to justify those connections.

- The path of reason
 - **First we start with a thorny problem and our opinion or conviction about how it can be solved. (raising prices in an emergency is price gouging)**
 - **Then we reflect on the reasons behind those convictions. (it's wrong to take advantage of people in need)**
 - **Then seek out the principle on which it is based. What principle tells us we shouldn't take advantage of each other? Or what principle tells us that supply and demand should determine what people deserve?**

In this class we are going to talk about three ways of thinking about purpose that in turn, determines who deserves to get what and who decides.

IV. Three Principles

A. Freedom,

- **are two rival camps within it: the laissez faire camp and the fairness camp.** In the **laissez faire camp** are the free market libertarians who believe in free choices at all costs. These are the arguments that were made against the price-gouging laws.

The fairness camp shades into the equality camp: They argue that markets will usually deliver goods to those who most deserve them, but markets themselves are not really free. The government has to use its power to remedy disadvantages to give everyone a fair chance to succeed in the market. This shades into the equality camp.

The idea of fairness is based on the idea that all human beings are born equal. Acts that violate that principle, like unequal income rates or price gouging are unfair.

B. Equality

C. Community....

- The community is greater than the individual...it represents a higher value..cultivating attitudes and behavior that preserve community, that require the sacrifice of individual freedom for the good of the whole.
- community cannot be preserved if some members exploit the suffering of others

V. What is the basis of disagreement over issues in political economy?

A. disagreement about meaning: what does it mean to treat people as equals? What does it mean to respect freedom? What does it mean to cultivate and strengthen community? What are the boundaries of community?

B. Conflict between principles. How much freedom can you have in a community? Can you have both freedom and equality? Do you need hierarchy rather than equality to keep a community together? Should people be free to embrace their own values or should one set of values be embraced by the community as a whole.

C. Political debates are about the weight of a particular principle in determining the purpose of political economy: taxing the wealthy to help the poor.....or is it unjust theft of their hard earned money. Or **affirmative action:** is it a way to right past wrongs, create equal rights to education, or is it discrimination against people who worked to get into college on their own merit?

VI. administrative details of this course: Terms and Conditions

- Required attendance at all class sessions
- Come to class on time
- Class participation (lecture and section, Facebook Group)
- Complete reading for each session before class
- No use of lap tops, iPads, other tablets in class...take notes with pen/pencil and paper
- Required subscription to the *Wall Street Journal* newspaper (digital edition is ok)
- Assignments: Short exam, Midterm, Final, and section assignments as part of your participation grade
- In-Class Midterm is tentatively scheduled for October 25
- In-Class Final Exam is scheduled for TUESDAY, DECEMBER 13, 2011

8-11A

- **PLEASE DO NOT BUY PLANE TICKETS OR MAKE OTHER PLANS. THERE WILL BE NO EARLY OR LATE EXAMS.**