Microeconomic Analysis
Lecture 1. Introduction

Announcements

■ Check the course website frequently:
  http://sites.bu.edu/manove-ec101/

■ Discussion Sections begin Tuesday, Sept 13.

■ Please don’t be late for class.
  ● EC101 DD starts promptly at 11:00 am.
  ● EC101 EE starts promptly at 2:00 pm.
Final Exams:

- Lecture DD, Dec 20 at 12:30-2:30 pm
- Lecture EE, Dec 17 at 3:00-5:00 pm

Get your air tickets soon, but DO NOT PLAN TO LEAVE before you take your final exam.

If you do not take your final exam as scheduled, you automatically fail the course.*

“My mother bought my air ticket without telling me!”
This is not a valid excuse.

*I sometimes allow DD students who are traveling outside the country to take the final on Dec 17 with the EE lecture. For permission, you must email me and explain the reasons.

Course Staff

Instructor: Michael Manove

- We teach EC101 DD and EE in parallel.
- Lectures on the same day will be similar.
- But you must attend your own lecture.

Head Teaching Fellow for DD and EE: Juan Carvajal

- Juan will give me and the other TFs feedback on our teaching.
TFs & Discussion Sections

Teaching Fellows:

- Fatima Aqeel  
  [D8, E2, E7]
- Undral Byambadalai  
  [D9, E8, E9]
- Juan Carvajal  
  [D1, D5]
- Thea How  
  [D7, E1, E3]

You are required to know your Discussion Section number and the first name of your TF.

TA Office Hours will be listed on the course website.
How to get an A in EC101

■ NEVER MISS CLASS!

■ Keep up with readings and problems.
■ Get help when things go wrong.
Your clicker or smartphone app:

- Students will be required to have a clicker, *Turning RF-LCD*, or a *ResponseWare smartphone app* starting on Sept 20…

- …but if you already have a clicker or app take out your device for a demonstration.

- Log into your app and enter session **DDEE**.

- Set your clicker to Channel 41.
  - Press **Channel**, then 4, then 1, then **Channel**.
  - *Never* press **Channel unless** you are changing the channel. The clicker is always turned on.

- After you buy your clicker or app, register it online. On the course website go to Classes>Clicker Registration.
**Economists**

- If you don’t have a medical degree, and you call yourself a “doctor” and **treat** patients,…

- you will be arrested for “practicing medicine without a license.”

- But anyone can legally call himself an “economist”…

- …and discuss the economy on TV.
Thinking like an economist

- Bricklayers, baseball players and bartenders have a special way of thinking about the world.
- So do economists.
- Economic thinking helps us see things that other people might miss.
- We believe that economic thinking is often useful in decision-making.
- Here are some basic principles of economic thinking.

1. Think about goods (not money)

**Example:** Monday, August 24, 2015

- Stock markets crashed all over the world.
- Within three days, $3000 billion of market value worldwide seemed to disappear.
- Where did it go?
- Did societies become $3000 billion poorer because of these stock-market crashes?
Let’s look at the goods:

Did factories disappear on August 24, 2015?

Did the CEO’s desk vanish from under his nose?

Did TV’s on the shelves of appliance stores dissolve into thin air?

By following the goods, we see that the material wealth of society did not change!

But investors revised their beliefs about its value—downwards.

This is bad for sellers of assets (like houses),

…but it may be good for buyers of assets, who can now get them for cheap.

Effects on the future production of goods and services???
2. Almost everything has a cost.

- Because time and other resources are *scarce* (limited),…
- …you have to sacrifice something to get something else.
- Economists call the required sacrifice the *cost* or the *opportunity cost* of what you get.

**Example:** The cost of an A on an econ exam?

Opportunity Cost: More Examples

- Do you want to buy an Alpha Romeo?
Do you want to get an A in Economics?

Clicker Question
3. People respond to incentives—sometimes in unexpected ways.

**Example:** Protecting the Elderly

- A law prohibits eviction of the elderly for not paying the rent.
- How would the law affect housing for the elderly?
  - This law would make it more difficult to collect rent from the elderly,…
  - so …

**Example:** Protecting trees.

- Suppose the U.S. Congress passes a tough law that limits the use of paper.
- What would happen to the number of trees?
Clicker Opinion Poll

If Congress passed a tough law that limits the use of paper, how would the law affect the number of trees?

Suppose Congress made it illegal to eat chicken or eggs. What would happen to the number of chickens?
Trees and Chickens

Are trees used for paper similar to chickens used for food?

If people stopped using paper, would there be

- more farmed trees?
- more wild trees?

Conclusion: If people use less paper, we would probably have ...

- ....