Microeconomic Analysis
Lecture 1. Introduction

Announcements

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

- Discussion Sections begin Tuesday, Sept 12.

- 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 19 at 12:30-2:30 pm
- Lecture EE, Dec 16 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 may allow DD students who are traveling outside the country to take the final on Dec 16 with the EE students. For permission, you must email me and explain the reasons.

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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, E6, E7]
- Enrico De Magistris  
  [E4, E5]
- Juan Carvajal  
  [D6]
- Thea How  
  [D9, E1, E3]

TF Office Hours will be listed on the course website.

You are required to know your Discussion Section number and the first name of your TF.
How to get an A in EC101

How to get an A in EC101, continued
Also:

- Avoid wild turkeys!

Your clicker:

- Students will be required to have a Turning Technologies RF-LCD clicker and a paid subscription for using it, starting on Sept 19…

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

- 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, register it online. On the course website go to Classes > Clicker Registration.
Clicker Question Example

Who is the woman in this photo?

a. the former President of Argentina
b. the CEO of Time-Warner
c. a leading Italian actress
d. Melania Trump
e. Michelle Obama

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.
- This is probably a good thing.
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, $3 trillion of market value worldwide seemed to disappear.
- Where did it go?
- Did societies become $3 trillion poorer on that day 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 on that day 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?

- An evening of fun with your friends,…
- …because you have to study instead (your time is scarce).

Opportunity Cost: More Examples
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?

**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?
Suppose Congress made it illegal to eat chicken or eggs.

What would happen to the number of chickens?
Are trees used for paper similar to chickens used for food?

If people stopped using paper, would there be…?