Announcements

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

- **Discussion Sections** begin *next* Tuesday, Sept 10.

- Cell-phone (mobile) use and texting is not permitted in class.
  - Please put your phone into airplane mode, and put it away.
  - Read **Course Information > Rules and Regulations** on the course website.

- 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 17 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.

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

Teaching Fellows:

- Matteo Ferroni
- Shomik Ghosh
- Ran Ji
- Yunus Kurt

TF Office Hours are 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

Suggestions from a grandfather.

- NEVER MISS CLASS!
- Keep up with readings and problems.
- Get help when things go wrong.
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 17…

  - …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 and the subscription online.
  - On the course website go to **Classes > Clicker Registration**.
Who is the woman in this photo?

a. the CEO of Time-Warner
b. a leading Italian actress
c. the former President of Argentina
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.
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 buy an Alpha Romeo?

  - Then you can’t afford a vacation in Italy.

  - (The vacation is the opportunity cost of the car.)
Do you want to get an A in Economics?

- Then you cannot socialize with your friends every night.

- (Socializing with friends is an opportunity cost of the A.)

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

**Example:** Protecting the Elderly

Suppose 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 landlords would have an incentive *not* to rent to them.

**Example:** Protecting 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?

a. There would probably be more trees.

b. There would probably be fewer trees.

c. The number of trees would not be significantly affected.
Suppose Congress made it illegal to eat chicken or eggs. What would happen to the number of chickens?

- Chickens would lose their value.
- Farmers would have a strong incentive to get out of the chicken business.
- Almost all chickens would be destroyed.
- We'd have a few chickens left in the zoos.

Trees and Chickens

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

- All chickens are farmed—there are no wild chickens.
- But there are both wild trees and farmed trees.

If people stopped using paper, would there be

- more farmed trees?
- more wild trees?

Conclusion: If people use less paper, we would probably have fewer farmed trees, …

…but the effect on wild trees would be uncertain without a careful analysis of the data.
End of File