Thursday, Sept 2, Lecture 1
Course Organization

I'm *Michael Manove,* the faculty member in charge of EC101 DD and EC101 EE.
I'm also the lecturer for these courses.

These courses have a website:
http://sites.bu.edu/manove-ec101/ .
Bookmark the website, check it frequently, and
read the announcements there!!!

No cell phone use allowed in class!!!
Please keep your cell phone turned off.

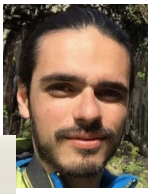
Course Staff

- EC101 DD and EE are taught by the EC101 DD/EE Team, which includes…
  - The instructor and lecturer: Michael Manove
  - and a team of Teaching Fellows (TFs), advanced members of the PhD program.

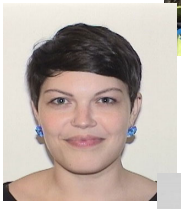
  - The Head Teaching Fellow for DD and EE is Laurie Hakes.
  - Laurie will be in charge of course administration, and she will offer feedback to me and the other TFs.
  - She will help students with many issues.

The Teaching Fellows

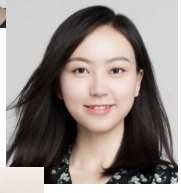
- The TFs will be in charge of the discussion sections.
  - Matteo Ferroni



  - Laurie Hakes



  - Qingyan Luo

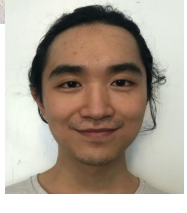


  - Jiahao Shen

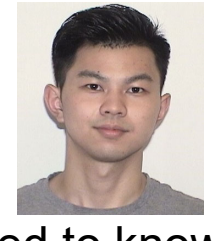
TFs & Discussion Sections [Cont'd]

- Xunkang Tian

- Hong Wang



- Liqun Zhuge



- You are required to know the first name of your TF and your Discussion Section number (D2, E3, etc.)
- All TFs, and the instructor, will hold office hours. See course website: *Classes* > *Office Hours*

Course Organization

- **Lectures** begin today, Thursday, Sept 2.
  - I will present all EC101DD/EE lectures in person.
  - **Discussion Sections** begin Tuesday, Sept 7.
  - Students should understand the contents of the previous two lectures before they attend their discussion section each week.
- Readings
  - Course Website: *Course Schedule*.
  - Most readings are suggested but a few are required.

- Problem Sets
  - An important part of the course
  - Course Website: *Classes > Problem Sets*
  - Your TF will ask you to explain your answers in discussion sections.
  - Good practice for your exams.
- Exams
  - Cover lectures, problems, and required readings.
  - Your course grade depends mainly on exams.
  - Exam questions are multiple choice. Days and times on the course schedule.

How to get an A in EC101

How to get an A in EC101

- Get your vaccinations and wear masks.
- Vaccinations/masks will
  - keep you healthy, …
  - help stop the spread of the coronavirus, …
  - and protect older people (like me) and those at high risk.
  - *Safe behavior is good for you and for other people, too.*
    [Positive Externality]

- NEVER SKIP THE LECTURES!

- Make sure you ***understand*** the ideas in lectures, readings and problems, but don't memorize.
- Get help when things go wrong.

Also:

- Avoid wild turkeys!
- They will chase you and try to bite you!
- Big human brain versus small turkey brain?
  - Incentives are important.

Clicker Questions

- I use “Clicker Questions” for students in the classroom to answer with their clickers (student-response devices).
- You will be required to have a clicker starting on Tuesday, Sept 21.
- I strongly recommend that you buy your clicker at the BU B&N Bookstore (see the course website).

Clicker Question Example

Economists

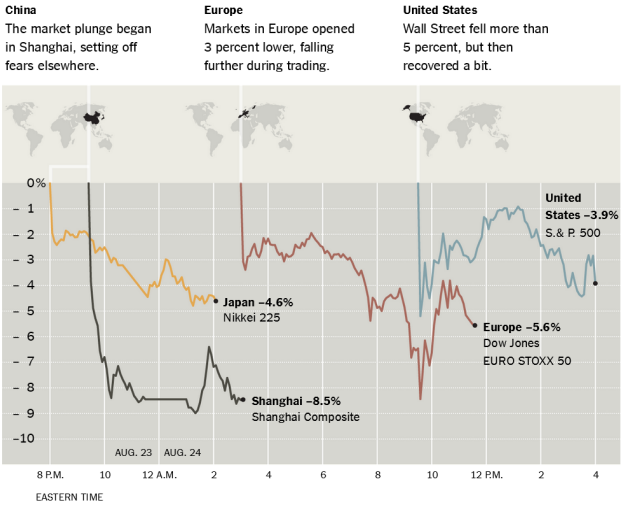
- If you don't have a medical degree, but tell people you are a "doctor" and **treat** patients,…
- you would be arrested for "practicing medicine without a license."
- But in the US, anyone can legally say s/he is an "economist"…
- …and discuss the economy on TV.
- This is probably a good thing.

Thinking like an economist

- Bricklayers, baseball players and bartenders have a special way of thinking about the world.
- Economists have a special way of thinking too.
- Economic thinking helps academic economists 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* …[?]
- But investors revised their *beliefs* about the *value* of material goods—downwards.
- This is bad for sellers of assets (like houses),
- …but it may be equally good for buyers of assets, who can now get them for cheap.
- HOWEVER, if financial markets hurt business owners, the effects on future production could reduce society's material wealth!

- *If we follow the goods, not the money,* it's easy to see that the Covid-19 pandemic **reduced** the material wealth of society.
  - Factories didn't disappear, but many were closed, and many goods were not produced.
  - Many restaurants, bars, hotels, beauty salons, cinemas were closed, so many services weren't produced.
  - Money helped, but money didn't fix the problem.
- Because of Covid-19, economic output decreased by a large percentage in many places.

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.

Opportunity Cost: Examples

- Do you want to buy an Alpha Romeo sports car?
  - 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.)

3. People respond to ***incentives***—sometimes in unintended 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 to rent to others instead.

Example: Protecting Trees

Clicker Opinion Poll

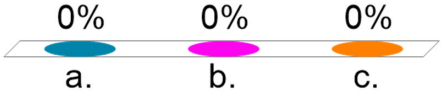
Paper is made out of wood from trees. So if Congress passed a law against using paper, how would the law affect the number of trees?

a. There would probably be more trees.

b. There would probably be fewer trees.

c. The number of trees would not be significantly affected.

Think about incentives.



- Most trees used for paper are planted and grown by tree farmers (lumber companies),…
- because the trees can be used to produce paper products.
  - But if a law removes the demand for paper products…??
  - and lumber companies …???
  - The trees …???
- Economists try to think about incentives. It's part of thinking like an economist.

End of Lecture 1