

C.V.

ECON 501: Foundations in Economics Fall 2017 Course Syllabus

Instructor:	Loreto Peter Alonzi	Telephone:	(708) 524.6483
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Office Hours:	T-Th 11:20 am -12:50pm & Th 5:35-6:16 pm & by apptment	Canvas:	http://canvas.dom.edu
Prerequisites:	None 1 st Session Thur. Aug. 31	IT Help	(708) 524.6888

Note: Prof Alonzi checks/uses his DU Email (Lpalonzi@dom.edu) rather than Canvas

UPDATES:

Prework to be done before the first session and in the following order:

Read: [1] *Syllabus* & [2] in Textbook FRANK et al (see below 6th ed.) Ch 1 & page 47 (pp 45-46 only to help w/page 47)

View Course Video:01A & 01B.

Do: [1] *Before-class Quiz via Canvas* & [2] *Do Before-class Discussion Board via Canvas*

NOTE: There is an **Extra Credit Quiz based on Syllabus** via Canvas for you to take before first class session.

Course Rationale: This course is designed to build a student’s basic economics knowledge for students who have never completed an undergraduate microeconomics course or who did not major in business. It develops the students’ facility with the economist’s structured way of thinking about humanity’s interaction to provision itself day in and day out.

I have seen this course change lives. Through this course your predecessors came to see previously unseen dimensions of human interaction, they think about that interaction more profoundly, and they live their lives more effectively.

Course Description: Economics studies how humanity provisions itself day in and day out. This economics course examines this provisioning by addressing two questions:

1. How does a market work at its best?
2. How does a market fail to work at its best?

To answer these questions the course utilizes 6 economic principles and 5 economic models—“Legos” if you will. It snaps these Legos together to build and examine the structural mechanics of a market economy. Specifically the course identifies and applies five key principles economist use to understand a market’s functioning. Then it examines the demand and supply model of a market to understand how a market works at its best to provision humanity. Then it extends the simple market model to include externalities and market power to understand how a market can fail to work at its best. Lastly the course takes up two computational mechanics—elasticity and cost. We practice the computations of both elasticity and cost as well as examine their impact on how markets work. For the business student this study provides them an understanding of the context within which their company operates and within which they will use the tools developed in their other business courses from accounting to entrepreneurship to data analytics to marketing to management to finance courses.

Click for: [\[Objectives\]](#) [\[Grading\]](#) [\[Course Organization\]](#) [\[Expectations\]](#) [\[Academic Integrity\]](#) [\[Students with Disabilities\]](#) [\[Assignment Plan w/Due Dates\]](#) [\[Topic Connections\]](#) [\[Graphing Diagnostic\]](#) [\[Alonzi/Fr. Samuel Econ\]](#)

Office Hours:

Can be done by phone, on line via email, or in person. See hours in table below.

If an in person meeting is preferred we need to make an appointment so I can meet you either in the cyber café or cafeteria. Note if I do not respond to your email or phone call during office hours I am working with a fellow student in the cyber café and will return your call or email when I return to my office. Of course, you may email or call at times other than posted office hours and I will endeavor to respond within 24 hours.

Day	Monday	Tuesday	Wednesday	Thursday
Time	By Appointment	11:20 a.m. – 12:50 p.m. and By Appointment	By Appointment	11:20 a.m. – 12:50 p.m. 5:35-6:15 p.m. and By Appointment
Place	Cyber café	Cyber café	Cyber café	Cyber café

Text: Frank, Robert H. & Ben S. Bernanke, Kate Antonovics, Ori Heffetz. *Principles of Microeconomics*, 6th ed., NY, McGraw-Hill/Irwin, 2013 ISBN 978-0-07-351785-8

Frank's microeconomics book is the best I've seen in my career! READ IT; WORK WITH IT!

Videos: There are videos of Prof Alonzi's past presentations on many of the course topics. They are listed in the course plan pages 7-8 below and accessible via Canvas. They are to be a helpful resource. If you find them helpful, use them. If you find they are not helpful, then don't spend time on them.

Objectives: [Click to Return Home](#)

The primary objectives of this course are to build your understanding of the context within which a company/corporation/firm finds itself—a market economy—and to provide preparation for future Brennan School of Business courses

This course does this by presenting you the opportunity to learn the basics of economists' structured way of thinking about humanity's interaction to provision itself day in and day out—that is the economy. To develop your facility with the structured way of thinking this course addresses two questions:

1. How does a market work at its best?
2. How does a market fail to work at its best?

To answer these questions we will use 6 principles of economics and 5 economic models—"Legos" if you will—to build the structural mechanics of a market economy and thus to analyze humanity provisioning itself day in, day out.

Upon completion of this course, a success student will be able to

1. Use the cost benefit principle of decision making
2. Use demand & supply tools to analyze price & output changes.
3. Relate marginal utility to demand and marginal cost to supply.
4. Relate competitive market price signals to the efficient allocation of resources
5. Demonstrate how externalities and market power lead to inefficient allocation of resources.
6. Compute the price elasticity of demand and relate it to price and output changes.
7. Compute profits using average revenue & cost as well as total revenue & cost.

* Throughout the course, the successful student will learn and add many new words to their vocabulary

Grading: [Click to Return Home](#)

Basis of the Grade:

You earn your grade by accumulating points from four sources: Before-class Reading Quizzes, Before-class Discussion Boards, In-Class Activities, and After-class Quizzes. There will be a total of 1,000 course points. Fully 725 points for 72.5% (or 145 points per class session) of your grade comes from preparation for class and engaging the in-class activities. The emphasis is on you engaging and doing. As you can see the emphasis is on preparing for class and participating in each class session.

ITEM	POINTS
Before-Class Quizzes (5 @ 40 pts each)	200
Before-Class Discussion Boards (5 @ 20 pts each)	100
In Class Activities (5 sets @ 85 pts each)	425
After-Class Quizzes (5 @ 48 pts each)	240
After-Class Discussion Boards (5 @ 7 pts each)	35
Total	1,000

GRADE	POINTS
A	1000-940
A-	939-900
B+	899-870
B	869-830
B-	829-800
C+	799-770
C	769-730
C-	729-700
F	Under 700

How is the course organized? [Click to Return Home](#)

Before-Class Preparation, In-class Active Practice, After-class Confirmation.

This course develops the structured way economists' think through the sequence of the five sessions. This sequence is a ladder beginning with economic principles, then examining the demand and supply basics of how a market works, third considering the economic principles underlying those demand and supply basics, fourth examining how a market fails to work, and concluding with the long run role of profits.

For each of the five sessions the plan is the same. First you prepare yourself by reading the assigned sections of the textbook and by doing the before-class quiz and before-class discussion board. Second, we come together in class and engage in learning activities and practice to help you solidify your grasp of the concepts, principles, models, and tools you met in your before-class preparation. Third, you confirm your understanding and facility of the concepts, principles, models, and tools by doing the after-class quizzes and exit ticket.

While I will use some class time to provide context for the learning activities, this is not a lecture from beginning to the end of class with you a passive though attentive listener. Class time is for you to engage and practice with the concepts, principles, models, and tools you met when doing your assigned readings so that class sessions help you solidify your understand and gain facility applying them. From this perspective you can appreciate the essential role of your before-class preparation. Without solid preparation you will be in the wilderness during class sessions and gain little benefit from them. I estimate that usually about 40% of class time will be devoted to me providing context (with a bit more in our first session in order to get things rolling) and about 60% will be learning by doing in the learning exercises.

Before-class (300 points possible)

Readings from Textbook, the before-class quiz, and before-class discussion board

Brennan faculty want students to succeed. To ensure students are prepared for class, students are expected to complete the readings, to take the before-class multiple choice quiz, and to complete the discussion

board assignment. The before-class quiz and discussion board assignments provide incentive to read effectively and to help the instructor determine whether students are having difficulty with material prior to class. To receive a grade for the before-class quiz and discussion board students need to complete them *prior* to coming to class.

Each Before-Class Quiz (BCQ) (40 points each; 200 points total) is multiple choice or true-false and is based on the readings for the session. You access the quiz via Canvas. Notably may take a before-class quiz up to three times before class starts. Only the best score will count. The emphasis is to reward your preparation for class. Then in class we can do the activities rather than just have a lecture. Please check out our Canvas course site to familiarize yourself with accessing the quizzes & further instructions pertaining to the quizzes. **BCQs** are open book and you can work with classmates!

Each Before-Class Discussion Board (BCDB) (20 points each; 100 points total) is structured the same and has two parts for you to do. Part 1: First, you are to post a question stating **YOUR muddiest point** in the readings assigned for upcoming class session. This is worth 10 points. What is a muddiest point? A muddiest point is something that truly is confusing to you that you want to clarify—a loose end or a fuzzy concept that you just don't get. Spend no more than 3 minutes on the statement of your muddiest point. Part 2: Second, for another 10 points, you are to respond to one classmate's muddiest point by trying to clarify the concept in her/his question so that it is less muddy to your classmate. Note, just saying "That is confusing to me too" or "I don't get that either" or some variant of these responses is an inadequate response and earns no points for the second part of the discussion board. You probably will spend a bit more time on this second point but no more than 10 minutes. Please check out our Canvas course site to familiarize yourself with the discussion boards and to receive further instructions pertaining to them.

In Class Activities (85 points each; 425 total)

During each class, students will work on learning activities to apply the economic concepts, principles, models, and tools. Sometimes the work will be done individually, sometimes in small groups. These learning exercises help students learn by doing. Learn with and from each other. And the instructor is there as a resource too. These exercises introduce variety – and fun – into class. The key is be prepared to practice, practice, and practice in class!

Class participation in in-class activities

In order to earn class activity points you must be in class to participate. You cannot earn a session's activity points if you miss that session. And as there are just five sessions, missing just one is missing a large proportion of the course.

Note more than presence is required to earn the activity points. When you are present you must truly engage the class activities to earn the class activity points. If you truly engage a class session's activities effectively and participate actively, I anticipate you will earn all the class activity points for that session. If you are just merely present and fail to engage the activities thoroughly you will not earn the class activity points for that session. There is a range of performance for class activities from high (truly engage) to low (present but unengaged) for earning activity points that I judge. Subjective evaluation yes. But your contribution to classroom dynamic—discussion, questions, teamwork—is also part of engaging the classroom activity. My past experience has been that students engage and earn most if not all of the class activities points, though there has been a slacker or two who haven't. The choice is yours. Participate and earn the activity points. Note. [Click to Return Home](#)

While you must participate in class to earn activity points, of course a tragedy (e.g. death of parent, spouse, or child) or other dire, extreme, extraordinary, emergency situation can occur. If you believe such a circumstance has struck you contact professor Alonzi ASAP to let him know. **IF PROF ALONZI DETERMINES THAT INDEED YOUR SITUATION IS TRAGIC, EXTRAORDINARY, DIRE, AND/OR EXTREME an adjustment can be made.** Documentation of the situation will be required.

After-class Quiz and Exit Ticket (275 points possible)

The purpose of the after-class work is to assess whether students understand the material. After each class session, students are expected to complete an exit ticket and a after-class quiz.

The *exit ticket* (7 points each, 35 points total) is a sentence or two statement of *either the most significant point* you got from the class session and its readings *or* what is *now the muddiest point* from the just completed class session and its readings. You will do this online as an After-Class Discussion Board. NOTE no comment is required of another student's exit ticket.

The ***After-Class Quiz (ACQ)*** (48 points each; 240 points total) following each session is a multiple-choice or true-false quiz but more challenging than the before-class quiz. It is again delivered via canvas and you will be allow **three** chances to take the quiz. The highest score counts. **ACQs** are open book.

But unlike BCQ the ACQs you are your solo work. You are NOT allowed to work with classmates!

Expectations: [Click to Return Home](#)

1. Reading assignments will be done **before class and reread as needed after class.**

2. **You will not underestimate the effort it takes to read only 190 pages.** The required reading totals 190 pages or on average 38 pages per week. Don't let the small number of pages per week fool you. Reading Economics is not a quick skim of words. A single sitting skimming at the last minute has not worked for your predecessors. Our text is a carefully constructed, integrated sequence of explanations of economic concepts, tools, principles and models designed so you can learn, know, and understand the economists' structured way of thinking. Each assignment requires deliberate, careful, focused reading. Each requires time to sink in and grasp. They require taking a-bit-at-a-time as you study day-by-day.

3. That you are a smart reader who **reads effectively:** First preview (intro & summary). Second observe headings. They are the outline! Third read. As you read have your pen/pencil in hand to make notes, record your confusions & questions, work out the author's explanations, reproduce his chain of reasoning, try graphing on your own, and do the in-chapter concept checks. By reading effectively you will be prepared for each before-class quiz and before-class discussion board.

READERS ARE LEADERS!

4. **Do 3 for 1**--study 3 hours for every hour in the class (i.e. reading effectively, viewing the course videos, outlining, synthesizing, reflecting on confusions, discussing with a study buddy, formulating questions for class, doing in-chapter exercises, taking before-class quizzes, doing the before-class discussion boards). Some people do require more than 3 for 1.

5. Students will **recognize and identify** confusion and **ask trim** as opposed to flabby **questions**. A trim question is one raised to eliminate a confusion—a Muddiest Point—that arises after thoughtful engagement/contemplation of assigned materials/resources. A flabby question is one that arises because the student has failed to engage/contemplate (failed to read the assignment, watch the video, contemplate the concepts, learn the definitions of concepts, try to relate/distinguished the concepts, try to draw the graphs, or try to explain the significance of the concepts) the assigned materials/resources. For example: ***Flabby:*** What is quantity demanded? ***Trim:*** How is a change in quantity demanded different from a change in demand? It's not clear to me why one is a move along a stationary curve and the other is a shift of the whole curve.

6. **Use office hours** without delay...when confusion emerges, an unresolved question(s) persist(s), an interesting question arises. Office Hours need not be in person email or call my office phone number. I am also available outside of office hours but no guarantees on how quickly I can respond outside of office hours.

7. Attend all class sessions & be on time for class.

8. I expect you to take up the challenge!

Economics is challenging!

1. Economics draws on many disparate talents. John Maynard Keynes one of the greatest economists of the 1900's observed that an economist must be: "mathematician, historian, statesman, philosopher ... He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must lie entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician."

John Maynard Keynes, "Alfred Marshall," in *Essays in Biography, in the Collected Writings of John Maynard Keynes*, vol. x (London and New York: Macmillan/St. Martin's Press for the Royal Economic Society, 1972), p 173.

2. Economics uses graphs & equations.

3. It is a structured way of thinking.

4. Economics is cumulative.

5. Economics requires study time! Often students tell me, "Professor I get it in class but then when I study this stuff at home it all jumbles up and I am confused." I have similar thoughts when I watch the Olympic figure skaters. They make it look so easy. But when I try to do what they do, the graceful flowing strides and long smooth glides are absent. I wobble and fall often. In a sense, my skating is all jumbled and confused. Then I realize that those skaters have spent many hours practicing to become Olympians. Their accomplishment is the fruit of their many hours. Remember, I make Economics understandable because just as the Olympic skaters spent many hours practicing, I have spent many hours studying/practicing Economics. So, I have a head start on you. Economics as any discipline requires that you spend the time. For many students they need more study time for Economics than in other courses. I expect you to spend the time you need to spend.

If you read effectively the assignments before coming to class, view the course videos, do the before-class quizzes, do the before-class discussion boards, attend all class sessions, do 3 for 1, ask trim questions, work diligently in class, get a study buddy or study group, and use office hours when you need to, then I know you can meet the challenge!

Academic Integrity: [Click to Return Home](#)

Each student is expected to adhere to the highest standards of academic integrity. Any student who does not will be penalized severely. In the past the penalty included but was not necessarily limited to a score of zero on the task in question. There can be other sanctions Prof. Alonzi deems appropriate including failure of the course. Conduct that fails to adhere to the highest level of academic integrity includes but is not limited to cheating, dishonesty, plagiarism, and forgery. For a complete statement of the Brennan School of Business Policy on Academic Integrity go to:

https://jicsweb1.dom.edu/ics/Schools/Brennan_School_of_Business/Academic_Policies.jnz?portlet=Academic_Integrity

Statement Concerning Students with Disabilities: [Click to Return Home](#)

The Dean of Students office serves students with learning, hearing, visual, or mobility impairments and other disabilities. If you feel any arrangements need to be made to maximize your educational experience please [1] **contact the Dean of Students immediately** in Lewis Hall 132 and [2] inform me *at the beginning* of the semester. NOTE: ***Needs must be documented officially through the Dean of Students Office.*** Once needs are documented officially, I will do everything I can in accordance with university guidelines and with the guidance of the Dean of Students office to accommodate that student so that they have the opportunity to succeed in my class.

Other Materials: 1. We use graphs so **colored pencils (or pens)** useful. 2. Ring binder for handouts.

Plans For Engaging Economic Principles: Before-class, In Class, and After-class

We will be reading all of Frank Chapter 1, 3, 5, and 6; half of Chapter 4; selected portions of Chapters 2, 10, 8, & 7

As of **6/1/17**. Revisions will be posted as and if the need arises. [Click to Return Home](#)

SESSION/DATE	TOPIC	BEFORE-CLASS ASSIGNMENTS	IN CLASS ACTIVITIES	AFTER-CLASS ACTIVITY
#1 Aug 31	<p><u>Perspective of Economics</u> * Economic Facts of Life Scarcity & Opportunity Cost * Income Distribution Facts * 4 Principles of Economics * Cost Benefit Principle Highlighted * How Economists Think: Economic Naturalism</p>	<p><u>Read:</u> FRANK : Ch 1 & page 47 (pp 45-46 only to help with page 47)</p> <p><u>View</u> Course Video:01A & 01B</p> <p><u>Take Before-class Quiz via Canvas</u></p> <p><u>Do Before-class Discussion Board via Canvas</u></p> <p>Extra Credit Syllabus Quiz</p>	<ol style="list-style-type: none"> 1. Circular Flow Chart 2. Cost Benefit Game 3. Economic Naturalism A question, A principle An application: principle to question 	<ol style="list-style-type: none"> 1. <u>Take Quiz</u> via Canvas 2. <u>Do Exit Ticket</u> via Canvas
#2 Sept 7	<p><u>Demand & Supply</u> <u>How a Competitive Market Works at Its Best</u> * Demand + Supply → Price Signal of Scarcity * Factors Shifting D & S hence changing Price * Horizontal vs Vertical Perspectives on D & S</p> <p>* Assumptions, Rules, Results</p> <p>** <u>Extra</u> after everything else is done fully. For those challenging themselves: next step of Algebra of D & S do pp 91-92</p>	<p><u>Read:</u> FRANK Ch 3 for D & S Efficiency pp 83-85 & 191-196 Consumer Surplus pp 140-41 Producer Surplus pp 166-168</p> <p><u>View</u> Course Video:02</p> <p><u>Take Before-class Quiz via Canvas</u></p> <p><u>Do Before-class Discussion Board via Canvas</u></p> <p><u>Do Graphing Diagnostic see pages 10-11 below or link on Home page</u></p>	<ol style="list-style-type: none"> 1. From Table to Graph 2. Change in Demand vs Change in Quantity Demanded 3. Demand & Supply Graph Task 4. Gasoline Article: D & S applied 5. Computing Surpluses Consumer, Producer, Total 	<ol style="list-style-type: none"> 1. <u>Take Quiz</u> via Canvas 2. <u>Do Exit Ticket</u> via Canvas
#3 Sept 14	<p><u>Behind Demand & Supply</u> <u>Behind Demand</u> * Marginal Method of Analysis Applying Cost Benefit: MB vs MH * $\frac{MU_x}{P_x}$ vs $\frac{MU_y}{P_y}$ yields Law of Demand</p> <p><u>Behind Supply</u> * Marginal Method of Analysis Applying Cost Benefit: MB vs MH * $P_{output} \times \text{Marginal Product} = \text{Opport. Cost}$ * $P_{output} = \text{Marginal Cost}$</p> <p><u>Model Method: Comparative Static Analysis</u></p>	<p><u>Read:</u> For Demand: FRANK: Ch 5 For Supply: FRANK selections from Ch 6 pp 147-151 & Ch 2 pp 39-41, 47</p> <p><u>For Model Method: Handout</u></p> <p><u>View</u> 04A-C Going Behind Demand 02 Model Method</p> <p><u>Take Before-class Quiz via Canvas</u></p> <p><u>Do Before-class Discussion Board via Canvas</u></p>	<ol style="list-style-type: none"> 1. Mouse Trap Game – A Model 2. Computing Marginal Utility and $\frac{MU_x}{P_x}$ 3. Change or not? Apply $\frac{MU_x}{P_x}$ vs $\frac{MU_y}{P_y}$ 4. Martha's Orange Juice / Coffee decision (or Feta Nuts) 5. Find Seller's Reservation Price 6. Growing Corn: Why MP falls! LDR!! 	<ol style="list-style-type: none"> 1. <u>Take Quiz</u> via Canvas 2. <u>Do Exit Ticket</u> via Canvas

<p>#4 Sept 21</p>	<p><u>How a Market Fails to Work: 4 Ways, We Do 2</u> <i>* Externalities: Undefined Property Rights</i> <i>* Market Power Not Lots of B/S: Monopoly</i> <i>* Public Goods Unenforceable Property Rights</i> <i>* Asymmetric Information</i></p> <p><u>Market Mechanics #1: Elasticity of Demand</u> <i>Computing It</i> <i>Seeing It</i></p>	<p><u>Read</u> For Market Failure: 1st: Alonzi-Condon Paper 2nd: FRANK Externalities pp 273-76+, 281-85, p 391, NOT COASE 3rd: FRANK Monopoly: pp 209-14, 218-25 Note in Condon Alonzi Paper focus on discussion the benchmark of Perfect Competition and the 2 failures of Externalities, Monopoly</p> <p><u>Read</u> For Elasticity Chapter 4 pp 93-102 plus figure 4.8 on page 103</p> <p><u>View Course Video:</u> 06 Market Failure 03 Elasticity</p> <p><u>Take Before-class Quiz via Canvas</u></p> <p><u>Do Before-class Discussion Board via Canvas</u></p> <p><u>Only If you have time after all else is done and you are interested you can read about solutions to externalities on pages 361-365</u></p>	<ol style="list-style-type: none"> 1. Groups graphing Externalities 2. Monopoly: Marginal Revenue & Demand 3. Monopoly: Quantity, Price, Total Revenue 4. Monopoly vs. Perfect Competition 5. Compute Elasticity of Demand: Numerical Ex. #3 #5 p 116 6. Groups: Relate Elasticity to I vs E graph 7. Relate Change in P* & Q* when shifts 	<ol style="list-style-type: none"> 1. <u>Take Quiz</u> via Canvas 2. <u>Do Exit Ticket</u> via Canvas
<p>#5 Sept 28</p>	<p><u>Market Mechanics #2: Cost, Profit, & Long Run</u> <i>* Perspective on Profit</i> <i>* Compute Profit:</i> <i>Costs: Fixed, Variable, Total, Marginal Revenue</i> <i>Profit = Total Revenue less Total Cost</i> <i>* Maximum Profit @ Marginal Cost = Price (Note P is Marginal Revenue w/Perfect Compet)</i> <i>* Alphabet Soup of Costs</i> <i>* See Economic Profit in Diagram</i> <i>* Short Run Equilibrium to Long Run Equilibrium</i> <i>Signaling Role of Economic Profits directing resources from industry with losses to one with profits</i></p>	<p><u>Read:</u> Frank Ch 6 pp 152-166 Frank Ch 7 pp 175-to Recap on 187</p> <p><u>View</u> 05A-B Going Behind Supply</p> <p><u>Take Before-class Quiz via Canvas</u></p> <p><u>Do Before-class Discussion Board via Canvas</u></p>	<ol style="list-style-type: none"> 1. Paducah Slugger Co – The Table TFC, TVC, TC, MC, P, q* then S #7 p 171 2. Paducah Slugger Co – The Graph 3. Alphabet Soup Applied to Paducah AFC, AVC, ATC, MC in Paducah Table AFC, AVC, ATC, MC in Paducah Graph 4. Draw Profit in Graph 5. Compute Economic Profit 	<ol style="list-style-type: none"> 1. <u>Take Quiz</u> via Canvas 2. <u>Do Exit Ticket</u> via Canvas

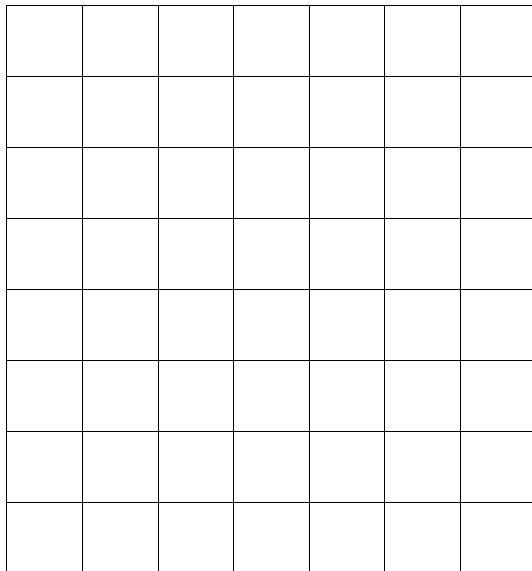
Economic Concept Map/Connections: [Click to Return Home](#)

<p>1. Tools</p>	<p>a. <i>Graphs</i> b. <i>Models</i> i. <i>The ARK -- Assumptions about the Relationships between Key Variables</i> ii. <i>Seeing the Demand Supply Competitive Market as a Model</i> iii. <i>The Model Method: Build It, Get Benchmark, Change an Assumption, Observe Deviations from Benchmark</i> c. <i>Core Principles</i> i. <i>Scarcity (I call it Opportunity Cost Principle)</i> ii. Benefit – Cost iii. <i>Incentive</i> iv. <i>Increasing Opportunity Cost</i> v. <i>Equilibrium and vi. Efficiency</i> <i>There is a seventh principle we do not cover vii. Comparative Advantage</i></p>
<p>2. How a Market Works at Its Best: Demand and Supply Basics</p>	<p>A. The Basics a. <i>Nine Pillars Necessary for a Competitive Market</i> b. <i>Demand Plus Supply Emit Price Signal That Coordinates Buyers & Sellers</i> c. <i>Change in Demand or Supply Changes Price Signal</i> d. <i>Elasticity: Determines How Much Price Changes When a Shock Hits a Market</i> e. <i>Consumer Surplus, Producer Surplus</i> f. <i>A Market At Its Best – Efficiency or Right Amount and No Waste</i></p>
<p>3. How a Market Works at Its Best: Going Behind Demand and Supply – the Mechanics</p>	<p>B. The Details a. Overview: Approach: Embed Cost/Benefit Principle in the decision making of Household & of Business b. Competitive Goods Markets (Product, Output) i. Behind Demand: 1. Law of Diminishing MU 2. MU_x vs P_x 3. Rational Spending Rule MU_x/P_x = MU_y/P_y → Law of Demand Substitution+Income Effects→ Law of Demand ii. Behind Supply: 1. Law of Diminishing Returns → Increases Opportunity Cost 2. P vs. MC → Law of Supply in Short Run, or alternately 3. P*MP = Opportunity Cost as [opportunity cost / MP] is MC* 4. Role of Economic Profits in Long Run c. Efficiency Is the Result: Competitive Markets yield <u>least cost</u> for <u>right amount</u> of X i. $Q_x^d = Q_x^s$ No surplus i.e. no waste ii. $P_x = \min ATC_x$...No Economic Profits iii. $MU_x = P_x = MC_x$ <div style="display: flex; align-items: center; justify-content: center;"> <div style="margin-right: 20px;"> <p>} Least Cost</p> <p>} Right Amount</p> </div> <div style="font-size: 3em; margin-right: 20px;">}</div> <div style="color: green; font-weight: bold; font-size: 1.2em;">EFFICIENCY</div> </div></p>
<p>4. How a Market Fails to Work:</p>	<p><i>Four Classic Failures</i> i. <i>Externalities: P < MC</i> ii. <i>Market Power, lack of competition: Monopoly, Oligopoly, Monopolistic Competition</i> iii. <i>Public Goods: P > MC</i> iv. <i>Imperfect Information: P ≠ MC</i> <i>Two Related Items</i> v. <i>Income Distribution</i> vi. <i>A role for government in addition to defining & enforcing property rights</i></p>
<p>Time Scare so we do not cover Resource Market</p>	<p><i>i. Resource Market Perspectives:</i> * P x MP ≡ VMP vs. Resource Price (i.e., Wage) * Initial Endowment, (strength, looks, power, brains...) + demand for goods + amount of resource one possesses +LUCK</p>

Name _____ Econ 501 Graphing Diagnostic [Click to Return Home](#)

1. The table below gives you information about the relationship between the price per coke-a-cola and the quantity of coke-a-colas a typical college campus of 2,000 students buys each week. Graph this relationship in the grid provided. Label all axes, label all points, and connect the dots.

Row	Price	Quantity
A	\$6	0
B	\$5	1,000
C	\$4	2,000
D	\$3	3,000
E	\$2	4,000
F	\$1	5,000
G	\$0	6,000



- The relation given in the table above is a direct/inverse relation (circle the correct one)?
- Calculate the slope of the line you drew in the grid. Show your work in the blank space to the right of the grid.
- Now suppose there is a weeklong movie festival and the students increase the quantity that they are willing to purchase as shown in the table below. Graph the new relationship in the grid provided above. Clearly distinguish this new relationship from the one you graphed for the first question.

Row	Price	Quantity no movie festival	Quantity during movie festival
AA	\$6	0	1,000
BB	\$5	1,000	2,000
CC	\$4	2,000	3,000
DD	\$3	3,000	4,000
EE	\$2	4,000	5,000
FF	\$1	5,000	6,000
GG	\$0	6,000	7,000

5. The table below gives you information about the relationship between the price per coke-a-cola and the quantity of coke-a-colas the student grill is willing to sell each week. Graph this relationship in the grid provided. Label all axes, label all points, and connect the dots

Row	Price	Quantity no movie festival
T	\$6	6,000
U	\$5	5,000
V	\$4	4,000
W	\$3	3,000
X	\$2	2,000
Y	\$1	1,000
Z	\$0	0

6. The relation given in the table above is a direct/inverse relation (circle the correct one)?
7. Calculate the slope of the line you drew in the grid. Show your work in the blank space to right of grid.
8. Now suppose there is a weeklong movie festival and the student grill increases the quantity that it is willing to sell as shown in the table below. Graph the new relationship in the grid provided above. Clearly distinguish this new relationship from the one you graphed for the first question.

Row	Price	Quantity no movie festival	Quantity during movie festival
TT	\$6	6,000	7,000
UU	\$5	5,000	6,000
VV	\$4	4,000	5,000
WW	\$3	3,000	4,000
XX	\$2	2,000	3,000
YY	\$1	1,000	2,000
ZZ	\$0	0	1,000

* Extra just to sense background/ability: write the equation for the line drawn for question #1 (i.e. the graph of the very first table).

Loreto Alonzi
October 7, 2010

Economics through Samuel's Telescope
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Fall 2010
FYI, Prof A's take on Econ

Economists exasperated President Truman. When he asked their opinion they would reply: "On the one hand this, on the other hand that." Truman moaned "Give me a one-handed economist." Life is complex: on the one hand is Truth and on the other Love. Holding both Truth and Love is essential.

On the one hand there is Truth. For Economists, truth involves working out scarcity's implications especially those of scarcity's children: opportunity cost, cost-benefit principle, and education.

Scarcity's children are as real as gravity. You meet opportunity cost, every Saturday night — do I go out with the group or with my significant other? If you go with the group, you forego being with your significant other (and vice versa). That is opportunity cost! What you forego when you choose. So how does one choose well? Benjamin Franklin suggested: take a piece of paper, list the positives on the left and negatives on the right. Then strike the balance. If benefits exceed costs, do it. If not, don't. Ben captured the kernel of the Cost-Benefit principle and the miserly Scrooge core of economics the "Economic Person Paradigm".

For me another important part of truth in Economics is education. I do not teach economics. I tell stories. Tell stories to draw out from students what is within them. I educate—*e* for out and *duco* for lead, *e-duco* or lead out. For me the truth in economics lies in education facilitating each student's grasp of economic principles. I assist students as they work to grasp and apply economic principles in their decisions. As they apply the Cost-Benefit principle better, fewer resources are wasted, the burden of scarcity is lightened and they participate in creating of a just, humane world.

On the other hand there is Love. Scrooge is the image of the miserly "Economic Person" comparing costs and benefits heartlessly. So what's love got to do with Economics?

Everything! Everything as one realizes that the Sun warming us, the air inspiring us, the rain refreshing us, and the earth feeding us were not made by us. In contemplating the origins, one realizes

that they are from the creating esse sourcing all, from Love.

Love transforms the anthropology of the Economic Person Paradigm. No longer is the “Economic Person” the beginning and end deciding based on it’s me-myself-and-I. Rather the “Economic Person” is a creature emerging from source and re-merging with source. He/she is a steward of resources entrusted by source, esse, love. Native Americans realized this stewardship by choosing a course of action only if it is good for seven generations. Seven generations requires us to choose wisely. Since scarcity and opportunity cost are ever present, effective stewardship-decision-making requires learning and utilizing the Cost-Benefit principle effectively. Now, however, the goal is no longer [satisfying the appetite of] just me, myself, and I. Rather the creature "I" is the steward of the resources entrusted [to] her/him by God for the provisioning of society which includes the "I" but goes beyond the "I" to the common good.

The both-Love-and-Truth of DU's motto *Caritas et Veritas* is the core of Economics. *Caritas* is Latin for Love. Not the carnal experience of the song “What’s Love Got to Do with It” but rather limitless self giving. John writes (1 John 4:16): “God is love and those who abide in love abide in God, and God abides in them.” So *Caritas* is one resonance with God. At DU, the rose symbolizes *Caritas* and the heart. *Veritas* is the Latin for truth. John’s Gospel (14:6) quotes Jesus: “I am the Way, the Truth, and the Life. No one can come to the Father except through me.” So *Veritas* is another resonance with God. At DU the candle symbolizes *Veritas* and the mind.

The Sisters did not choose the easy path of either/or—either *Veritas* or *Caritas*. For DU's motto they chose both/and—both *Caritas* and *Veritas*. Timothy Radcliffe O.P. stresses the significance of both/and. Both/and is the dynamic tension between forces, the dialogue that keeps us properly headed, resonating with God. Without Truth, Love can devolve into coddling or a second hand emotion. Rigorous pursuit of Truth prevents love from devolving. Without Love, Truth could be corrupted to temporal power’s wants. Overflowing love expressed in compassionate service prevents corruption of Truth.

Great economists also embrace both/and. Adam Smith [The Wealth of Nations. (NY: Alfred A. Knoph, 1991), page 289] while championing the individual's natural liberty, also requires government to restrain liberty which might endanger all society's security. Smith rejects either individual or society choosing both/and. Alan Blinder's book title puts well the challenge of economics: *Hard Heads, Soft Hearts: Tough-minded Economics for a Just Society*. That is *Caritas Veritas* in action!