I. Administrative Info
   1. Wall Street Journal
   2. Webpage
   3. Assignments for Wednesday
      a. Read Chapters 1 and 2 and organ donation articles
      b. Return survey
   4. Office Hours
   5. HWs online: Due Thursdays
   6. Make-up policy
   7. Exams at night
   8. Homework Policy
   9. Grievance
  10. Powerpoint
II. Introduction
   A. Economics defined

B. Using Models
   1. How do they study it?

   2. Assumption: Assume that all human behavior is rational

      Ex 1: Cost of textbook new = ?

      How many of you would try to buy it used if it cost $45
      How many of you would try to buy it used if it cost $10

      Ex 2: If submitting your SAT score to a college is optional, why might some people, even those with low scores, still submit it?

      Ex 3: Why do we give gifts, not cash? - Survey
3. Underlying model: **Cost Benefit Analysis**

   \[ B(X) > C(X) \text{ do it} \]
   \[ B(X) < C(X) \text{ don’t do it} \]
   \[ B(X) = C(X) \text{ indifferent} \]
   where \( X \) is any action

Positive:

Normative:

**Positive Analysis**

A. Theory

B. Empirical

   1. Data sources
      a. Surveys

      b. Experiments

      Actual

      Quasi

   2. Causation or Correlation
Examples:

a. welfare benefits and welfare participants

<table>
<thead>
<tr>
<th></th>
<th>Median Real Monthly Welfare Benefit for family of 3</th>
<th>Families Receiving Welfare</th>
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<tbody>
<tr>
<td>1970</td>
<td>817</td>
<td>1909</td>
</tr>
<tr>
<td>1975</td>
<td>752</td>
<td>3357</td>
</tr>
<tr>
<td>1980</td>
<td>601</td>
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<td>4879</td>
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<tr>
<td>2000</td>
<td>421</td>
<td>2265</td>
</tr>
</tbody>
</table>

Source: 2000 Green Book

Describe the relationship between benefits and recipients

b. abortion laws and crime

3. Regression

Dependent variable

Independent variable

Ceteris paribus
Special considerations in economics:

a. Opportunity costs

Ex:
- What are the costs/benefits of going to school for the average student?
- What are the cost/benefits of going to school for LeBron James?

b. Marginal costs

marginal benefits

Ex: Wedding with 100 people on the guest list
Costs:
- Flowers: $200
- Photographer: $1,000
- Food: $2,000
- Drink: $1,000
- Music: $400
- Ministers: $100
Total: $3,700.00

Future mother-in-law calls up and asks if it is o.k. if she invites her college roommate’s son, Byron and his girlfriend Caroline. How much do I have to value my mother-in-law’s approval before I decide to invite these two additional guests?
c. Focusing on only some of the relevant costs - Unintended effects

Ex 1: Gun Amnesty Program: NYC paid $50 for any revolver and $75 for any semiautomatic pistol turned - no questions asked.

Ex 2: States and school districts have deadlines for when a child must turn 5 in order to begin kindergarten that year.

Ex 3: Widows lose Social Security benefits if