

**LEAD TEAM GRANT APPLICATION 2007-08**

*The UGGS/GTP Lead Team Grant provides up to \$166 to each team for workshop expenses.  
 All teams must complete an application, even if not requesting funds;  
 if not all funds are requested, the remaining funds will be distributed according to need.*

**A completed application must include:**

1. This application (both pages with all information filled out) – electronic forms preferred
2. UGGS Funds Budget Allocation Form – this form also serves as your team’s budget

**Submit all materials to the GTP lead coordinators** (gtpleads@colorado.edu, ATLAS 201)

**APPLICATION DEADLINE: December 14, 2007**

Team Name: The Garbage Pail Kids

Team Members:

- |                                 |                                      |
|---------------------------------|--------------------------------------|
| 1. Name: <u>Tanya Rose</u>      | Department: <u>Education</u>         |
| 2. Name: <u>Gina S. Mohr</u>    | Department: <u>Business</u>          |
| 3. Name: <u>Krista Belanger</u> | Department: <u>Communication</u>     |
| 4. Name: <u>Joe Craig</u>       | Department: <u>Economics</u>         |
| 5. Name: <u>Ted Holland</u>     | Department: <u>Geography</u>         |
| 6. Name: <u>Tom McFarland</u>   | Department: <u>Political Science</u> |
| 7. Name: _____                  | Department: _____                    |
| 8. Name: _____                  | Department: _____                    |
| 9. Name: _____                  | Department: _____                    |
| 10. Name: _____                 | Department: _____                    |

Title of Workshop:

“How to Effectively Incorporate Scholarly Work into the Undergraduate Curriculum.”

Day and Date of Workshop: Tuesday, February 5, 2008 Time: 2:00-3:30pm

Location: ATLAS Presenters: John O’Laughlin (Geography)

*in email sent 1/7 cc*

Person submitting application: Gina S. Mohr Email: Slejko@colorado.edu

## **APPLICATION QUESTIONS**

*Complete these questions with as much specific information about your proposed workshop as possible.*

### 1. Purpose/Goals of workshop:

Undergraduate textbooks and introductory materials can be too general or not rigorous enough for the kind of learning and discussion that instructors want to encourage in the undergraduate classroom. Moreover, such scholarly work can be both intimidating for the instructor to teach and the student to learn. The purpose of this workshop is to provide GPTIs and TAs the tools to effectively integrate scholarly work into lecture and offer several methods for doing so.

### 2. Description of workshop:

After explaining the purpose of the workshop to attendees we will have a professor from the geography department lead a discussion for about 20 minutes. During this time he will highlight the importance of bringing scholarly work into the undergraduate classroom and discuss the techniques that he uses in his own class. Questions and comments will be encouraged at the end of this presentation.

Next, we will ask attendees to divide up by their discipline and ask them to identify strategies for implementing the ideas presented by the speaker in their own courses. We will provide a worksheet to guide attendees through this group activity. In addition, after the workshop is over we will collect these ideas and assimilate them into a reference tool that will be e-mailed back to them. Therefore, this tool can be used by other GPTIs and will provide department and discipline specific information.

### 3. List four ways your team will promote your workshop:

First, we will create flyers to put in the mailboxes of graduate students in our own departments. Second, we will send e-mails out to those students as the date of the workshop approaches. Third, we will ask the other social sciences team (Team Smackdown) to distribute flyers in their departments. Finally, we will create larger flyers to post in mailrooms and in the GTP office.

### 4. How will your workshop benefit graduate student teachers?

Graduate teachers will benefit from this workshop in three important ways. First, by giving GPTIs and TAs the tools to effectively teach scholarly work to undergraduates, graduate students will overcome uncertainties they may have had about using such material in their curriculum. Second, our speaker will discuss specific tools for implementation and a question and answer session will allow GPTIs and TAs to ask specific questions concerning implementation within their own discipline. Finally, the break-out sessions will allow participants to develop tools that are specific to their discipline so that they may refer to these tools when the time comes to develop lectures and classroom discussions.

5. How is your workshop interdisciplinary (within your team)?

The importance of teaching scholarly work to undergraduates is important across all disciplines represented by team Garbage Pail Kids. For example, in the fields of Communication, Economics, Business, Geography and Political Science, academic research is the basis for informing the decisions made by the constituencies that read this research. While text books are updated every few years, new academic research is published every few months. Therefore, across these disciplines, it is important to have the skills to teach this knowledge to the students who will later use it in their careers.

6. How will your workshop reach all four Kolb learning styles?

- **Hearts:** we will explain the importance of the workshop and highlight the personal relevance of the material.
- **E=MC2:** Bring an expert who uses techniques proposed and use handouts effectively so that material is clearly presented.
- **?:** Assure that there will be time for Q and A and time to work on task that allows them to apply concepts presented.
- **Products:** Assure that there will be an opportunity to assimilate learned material in a break-out session and acquire tools to take home.

7. How does your workshop take a new or innovative approach to improving teaching and/or meet a pressing need of postsecondary teaching and learning?

Many academicians must balance research and teaching. This workshop is unique in that it teaches graduate students early on how to make these two aspects of their careers work together. In other words, rather than positioning research as separate from teaching, our workshop recognizes that research can inform our teaching.

8. How will you assess how well your goals have been met?

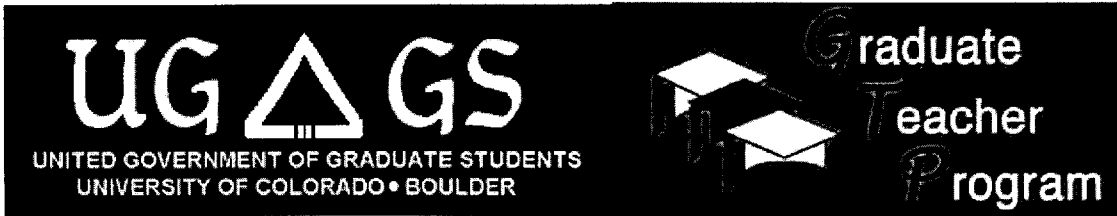
We will use a feedback form at the end of the workshop to assess how workshop participants perceived the presentation to be helpful and informative in their own discipline and teaching.

9. Attach the UGGS Funds Budget Allocation Form for your workshop, indicating UGGS and any department matching funds.

**Further Instructions:**

- Invite GTP Lead Coordinators and UGGS officers to your workshop.
- Videotape your workshop using GTP equipment.
- Include the UGGS logo and the Graduate Teacher Program logo in all promotional materials (copied from this application form).

- Submit to the GTP the Team Activity Evaluation Form (pp. 67-8, copies to be handed out at the January Lead Network meeting) within one week after the workshop.
- Each lead records **discipline-specific credit** for participants from their department (copy sign-in sheets on p. 69). Submit copies to the GTP with names marked if any prefer GTP workshop credit.



— Please submit with application form —

## UGGS Funds Budget Allocation Form

**Instructions:**

1. This form is to be completed by a delegated team member. This person will be the "authorized signer" on this form, and will be the responsible party for submitting it in conjunction with the Lead Team Grant application. This person will also be the contact for UGGS if we need to contact your team for any reason, and will be responsible for making arrangements with the Student Organization's Finance Office (SOFO) office to pay for your necessary supplies.
2. Upon filling out this form and turning it in with your application to the GTP Lead Coordinators, UGGS will obtain these funds and we will use your budget to complete our necessary paperwork to ensure this allocated amount is available to you.
3. After this form and your application are submitted, have the authorized signer visit the SOFO office **two weeks prior** to your event date to receive the funds necessary to support your event.
4. If your group pays for items before receiving UGGS money (through SOFO), the authorized signer on this form is responsible for paying for those items, signing receipts if those items are paid by debit/credit (preferred), and for saving all **ORIGINAL receipts** to be submitted for reimbursement.
5. If you do pay for items in advance and do *not* **save ORIGINAL receipts** or follow the above instructions, there is *no guarantee* that you will be reimbursed for money spent.
6. If you have questions or need assistance with this process at any time, please contact the UGGS office no less than one (1) week prior to your event at (303) 492-5068, uggsinfo@colorado.edu, or stop by our office at UMC 123.
7. After the event, complete the "actual expenses" column on the budget sheet and submit with the report.

Name of Team: The Garbage Pail Kids

Title of Workshop: "How to Effectively Incorporate Scholarly Work into the Undergraduate Curriculum"

Authorized Signer Name (print): Thomson W. McFarland

Gina Slejko Mohr

Telephone: 303-819-8164

Email: Thomson.McFarland@colorado.edu

Slejko@colorado.edu

Do you anticipate funding from other sources:  yes  no

If yes, specify source: \_\_\_\_\_

Total amount requested (from other side): \$ 165.00

**GTP use only:**

Funding has been approved in the amount of \$ \_\_\_\_\_

Comments:

**UGGS use only:** Funding authorization signature:

\_\_\_\_\_ Date: \_\_\_\_\_



Wednesday 2:30-3:30 ATLAS 109 (all Present) (workshop should be 1-1:30 hrs)

- ✓ 1. Topic is decided
- ✓ 2. Set Date Window. [
- ✓ 3. Outline of workshop.
- ✓ 4. Discuss outside faculty presenter.
- ✓ 5. Grant Application.
- ✓ 6. Other Resources.
- 7. TITLE OF OUR WORKSHOP.

↓ Break-Out Session

4 → Each person will nominate a person from their department and casually ask them if they would be interested.  
"Call For Presenters"

2. Team workshops : window is Jan 28<sup>TH</sup> / Feb 4<sup>TH</sup>

- 3. • Introduction of topic (Interdisciplinary Significance).  
Why is presenting/understanding academic research in the undergraduate classroom important?
- Each person give a 5 Min presentation (or hand out). (Faculty Round table).
- Get audience engagement. (Get all 4 Kolb Styles involved).
- TOOLS: How Can You
- Execution of TOOLS (Groupwork).
- Wrap-up Ideas.
- Q & A

4. Internet Sources

- Methods for Doing (Reading Guide)
- Krista has something "Scholarly Research"
- "How to Read Articles": How to teach Articles. ] → Will come out naturally with Round table, with Resources.

3 ATLAS

- Take current topic and do a simulation
- How can students read/understand?
- How can teachers teach?

TO DO

- Start at Grant app.
- Send to Group by Nov 1.

TASKS

- GINA: Grant: Prelim Research
- KRISTA: Talk to Advisor about Resources.
- TED: Faculty Contacts and Tools Research
- TOM: Faculty Contacts and Tools Research
- TANYA: Tools Research
- ALL: Talk to faculty Preliminary Tools Research.

TED - TANYA will be busy next month

→ Send Grant From last year. (Price Food) (on).

(Gina's Reserve)  
intermediate: 10/17  
: 11/

## **Reading Scholarly Research**

**(Dr. Tim Kuhn, University of Colorado)**

### Differences between popular and scholarly sources

- Sources of funding: Ads vs. Subscriptions
- Authority of authors
- Language use
- Trustworthiness of claims

### Three types of scholarly articles

- Idea development/Review of literature
  - This kind of article argues for the advancement of a theory or concept, but offers no original empirical data to support the claim. Rather, it reviews what previous researchers have found.
- Study/Investigation of an important issue
  - This kind of article shows original evidence for the usefulness of a particular theory or concept after presenting what previous research has discovered.
- Book review
  - This kind of article simply reviews another researcher's book. Book reviews are not helpful for research papers.

### Reading Scholarly Research

- Scan entire article first; read the abstract
- Read with a *purpose* in mind
- Always read with paper & pen next to you
  - Write down the article's purpose/thesis statement
  - Note important concepts
  - Note confusing concepts
  - Note connections between concepts
  - Write down the possible lessons for your project
- Look for the authors' "take" on bodies of theory and research
- Read discussion section closely: the "why should you care" section

### Things to remember when incorporating scholarly research into your paper

- Most often you will have to summarize an article's findings in a few sentences.
- Not all research you read needs to be cited in your paper. Often, a good portion of your research will simply provide you with a good background understanding of the issue that allows you to discuss it in a more clear and intelligent manner.
- Give credit where credit is due. If the idea you are talking about comes from a specific article, make sure you cite it. If the same idea is found in several articles, you do not need to cite it
- Incorporate sources that are the most relevant and compelling for your study. In other words, don't add sources for the sake of having more sources.

**Economics 3070-008 Intermediate Microeconomics**

**Fall 2007 University of Colorado at Boulder**

**Instructor:** Joe Craig

**Office:** Econ 304

**E-mail:** [craigjd@colorado.edu](mailto:craigjd@colorado.edu)

**Phone:** 303-492-4288

**Office hours:** Tuesday 13:00-14:30 and Wednesday 11:00-12:30

**Course website:** [ucsu.colorado.edu/~craigjd](http://ucsu.colorado.edu/~craigjd)

**Lecture:** TR, 11:00-12:15 in econ119

**Required Text:** • **David Besanko and Ronald R. Braeutigam, (2005), Microeconomics, John Wiley & sons Publishers** – I would suggest looking for used/new copies online before buying at the bookstore to compare prices. Also, the best strategy for doing well in class and understanding the material is to read the corresponding textbook chapters before class. I follow the book topics fairly closely but will add a few additional things as I see fit.

**Course Description:** Microeconomics is a branch of economics that studies how individuals, households, and firms make decisions to allocate limited resources, typically in markets where goods or services are being bought and sold. We will examine how these decisions and behaviors affect the supply and demand for goods and services, which determines prices, and how prices, in turn, determine the supply and demand of goods and services

**Prerequisites:** Principles of Microeconomics (Econ 2010) or Introduction to Economics (ECON 1000) and Mathematics for Economists I and II (Econ 1078/1088 or equivalent). Students should be familiar with the concepts of supply and demand, the basics of fiscal and monetary policy, and have some experience using equations, graphs, and tables to analyze economic situations.

**Lectures:** In lecture, new material will be presented that will follow topics from the textbook, but may differ in emphasis. While attendance is not mandatory, *all students are expected to attend lecture regularly*. Besides all the obvious reasons to attend lecture, some exam questions may not be covered in the text but only covered in lecture. In the off chance that you miss a lecture, you should get lecture notes from a fellow student, if they are willing to share. I don't give students my notes as they are only outlines of topics to discuss and will not be of much help to you. Some lectures will also include a discussion of assigned articles.

**Article Analysis:** Over the course of the class we will be analyzing a number of articles related to the material covered. There will be approximately an article per chapter, 12 in all. As an incentive to read the articles 10% of the grade will be determined by preparing a short summary and answering a few articles for a number of articles. You must do 8 of the 12 articles. I will give a number of questions to consider for each article. Students will be required to write a summary of the articles and answer the presented questions in paragraph form, including a second page of relevant graphs if needed. The article analysis must be one page typed, double spaced, 12 point Times New Roman font, with 1 inch margins to receive credit. The summaries will be credit/no credit and are *due in class on the day we discuss the article*. I will not accept e-mailed articles as being present for the discussion is part of the assignment. I reserve the right to randomly call on those people who turned in articles to help answer questions to generate discussion.

**Grading:** Your course grade will be based on the pretest, three midterm exams, problem sets, the article analysis, and a cumulative final exam. Exam dates are listed below. The breakdown of grades is as follows: 1% for the pretest, 15% for each exam, 10% for article analysis, 15% for the problem sets, and 29% for the final exam. The final is cumulative and I will let you increase your score on the midterms if you do better on the relevant questions that appear on the final by averaging the two as your midterm grade. (For example if you receive an 70 on the first midterm but score an 80 on the relevant questions on the final then I will increase your first midterm score to an 75.) There will also be one (and only one) opportunity for extra credit toward the end of the course

**Examinations:** The midterm exams will take place during regular class time in the regular class room on the dates listed below. They will be a combination of multiple-choice questions and short answer questions. You'll probably also want to bring a calculator (*no cell phone calculators*). Exam questions will be based on material covered in lecture and the problem sets. I'll talk more about each exam as the exam date approaches.

*Make-ups for any exam are allowed only under compelling circumstances.* Under such a compelling circumstance, you are almost always required to make prior arrangements before the exam. Typically a make-up exam will be administered prior to the actual exam date and never later than 1 week past the exam date. Any make-up exam given after the exams have been returned will be an oral exam.

**Important Dates:**

Class Starts: Tuesday 8/28

Exam 1: Thursday 9/27

Exam 2: Tuesday 10/30

Exam 3: Thursday 12/6

Last Day of Class: Thursday 12/13

Final Exam: Saturday 12/15 at 10:30-13:00.

**If you have 3 finals in a day:** "If you have three or more final exams scheduled on the same day, you are entitled to arrange an alternative exam time for the last exam or exams scheduled on that day. To qualify for rescheduling final exam times, you must provide evidence that you have three or more exams on the same day, and arrangements must be made with your instructor no later than the end of the sixth week of the semester (Friday, October 5, 2007)." Taken from [http://registrar.colorado.edu/calendar/exam\\_sched\\_fall07.html](http://registrar.colorado.edu/calendar/exam_sched_fall07.html) . Since my exam is the second on December 15<sup>th</sup> from 10:30-13:00 there is no reason for anyone to miss the final.

**Course Schedule:**

Tuesday		Thursday	
8/28/2007		8/30/2007	Article 1
9/4/2007		9/6/2007	Article 2
9/11/2007	PS1 Due	9/13/2007	Article 3
9/18/2007	PS2 Due	9/20/2007	Article 4
9/25/2007	PS3 Due	9/27/2007	<b>Exam #1</b>
10/2/2007		10/4/2007	Article 5
10/9/2007	PS4 Due	10/11/2007	Article 6
10/16/2007	PS5 Due	10/18/2007	Article 7
10/23/2007	PS6 Due	10/25/2007	Article 8
	PS7 Due		
10/30/2007	<b>Exam #2</b>	11/1/2007	
11/6/2007	Article 9	11/8/2007	
11/13/2007	Article 10	11/15/2007	PS8 Due
11/20/2007	Thanksgiving	11/22/2007	
11/27/2007	Article 11	11/29/2007	PS9 Due
			PS10 Due
12/4/2007	Article 12	12/6/2007	<b>Exam #3</b>
12/11/2007	Review	12/13/2007	Review

**Honor Code:**

All students of the University of Colorado at Boulder are responsible for knowing and adhering to the academic integrity policy of this institution. Violations of this policy may include: cheating, plagiarism, aid of academic dishonesty, fabrication, lying, bribery, and threatening behavior. All incidents of academic misconduct shall be reported to the Honor Code Council ([honor@colorado.edu](mailto:honor@colorado.edu); 303-725-2273). Students who are found to be in violation of the academic integrity policy will be subject to both academic sanctions from the faculty member and non academic sanctions (including but not limited to university probation, suspension, or expulsion). Other information on the Honor Code can be found at <http://www.colorado.edu/policies/honor.html> and at <http://www.colorado.edu/academics/honorcode/>

**Expectations of Classroom Behavior:**

Students and faculty each have responsibility for maintaining an appropriate learning environment. Students who fail to adhere to behavioral standards may be subject to discipline. Faculty members have the professional responsibility to treat students with understanding, dignity and respect, to guide classroom discussion and to set reasonable limits on the manner in which students express opinions.

See policies at

<http://www.colorado.edu/policies/classbehavior.html> and at

[http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student\\_code](http://www.colorado.edu/studentaffairs/judicialaffairs/code.html#student_code)

**Absences:**

Campus policy regarding religious observances requires that faculty make every effort to reasonably and fairly deal with all students who, because of religious obligations, have conflicts with scheduled exams, assignments or required attendance. Please notify me as soon as possible so that the proper arrangements can be made. Students can see full details at [http://www.colorado.edu/policies/fac\\_relig.html](http://www.colorado.edu/policies/fac_relig.html)

**Disabilities Statement:**

If you qualify for accommodations because of a disability, please submit to me a letter from Disability Services in a timely manner so that your needs may be addressed.

Disability Services determines accommodations based on documented disabilities.

Contact: 303-492-8671, Willard 322, and <http://www.Colorado.EDU/disabilityservices>.

**Time extensions for exams must be approved by me prior to the exam. If you have not talked to me personally and provided the appropriate documentation prior to the exam you will not be granted an extension.**

Disability Services' letters for students with disabilities indicate legally mandated reasonable accommodations. Other letters/requests you may receive from agencies such as the Wardenburg Student Health Center, or other health providers, such as physicians or counselors, are recommendations you may choose to follow to assist students but are not necessarily legal mandates. The syllabus statements and answers to Frequently Asked Questions can be found at <http://www.colorado.edu/disabilityservices>

## IS SANTA A DEADWEIGHT LOSS?

Dec 20th 2001

Are all those Christmas gifts just a waste of resources?

ECONOMICS has long been known as the dismal science. But is any economist so dreary as to criticise Christmas? At first glance, the holiday season in western economies seems a treat for those concerned with such vagaries as GDP growth. After all, everyone is spending; in America, retailers make 25% of their yearly sales and 60% of their profits between Thanksgiving and Christmas. Even so, economists find something to worry about in the nature of the purchases being made.

Much of the holiday spending is on gifts for others. At the simplest level, giving gifts involves the giver thinking of something that the recipient would like--he tries to guess her preferences, as economists say--and then buying the gift and delivering it. Yet this guessing of preferences is no mean feat; indeed, it is often done badly. Every year, ties go unworn and books unread. And even if a gift is enjoyed, it may not be what the recipient would have bought had they spent the money themselves.

Intrigued by this mismatch between wants and gifts, in 1993 Joel Waldfogel, then an economist at Yale University, sought to estimate the disparity in dollar terms. In a paper\*[1] that has proved seminal in the literature on the issue, he asked students two questions at the end of a holiday season: first, estimate the total amount paid (by the givers) for all the holiday gifts you received; second, apart from the sentimental value of the items, if you did not have them, how much would you be willing to pay to get them? His results were gloomy: on average, a gift was valued by the recipient well below the price paid by the giver.

The most conservative estimate put the average receiver's valuation at 90% of the buying price. The missing 10% is what economists call a deadweight loss: a waste of resources that could be averted without making anyone worse off. In other words, if the giver gave the cash value of the purchase instead of the gift itself, the recipient could then buy what she really wants, and be better off for no extra cost.

Perhaps not surprisingly, the most efficient gifts (those with the smallest deadweight loss) were those from close friends and relations, while non-cash gifts from extended family were the least efficient. As the age difference between giver and recipient grew, so did the inefficiency. All of which suggests what many grandparents know: when buying gifts for someone with largely unknown preferences, the best present is one that is totally flexible (cash) or very flexible (gift vouchers).

If the results are generalised, a waste of one dollar in ten represents a huge aggregate loss to society. It suggests that in America, where givers spend \$40 billion on Christmas gifts, \$4 billion is being lost annually in the process of gift-giving. Add in birthdays, weddings and non-Christian occasions, and the figure would balloon. So should economists advocate an end to gift-giving, or at least press for money to become the gift of choice?

#### SENTIMENTAL VALUE

There are a number of reasons to think not. First, recipients may not know their own preferences very well. Some of the best gifts, after all, are the unexpected items that you would never have thought of buying, but which turn out to be especially well picked. And preferences can change. So by giving a jazz CD, for example, the giver may be encouraging the recipient to enjoy something that was shunned before. This, and a desire to build skills, is presumably the hope held by the many parents who ignore their children's pleas for video games and buy them books instead.

Second, the giver may have access to items--because of travel or an employee discount, for example--that the recipient does not know existed, cannot buy, or can only buy at a higher price. Finally, there are items that a recipient would like to receive but not purchase. If someone else buys them, however, they can be enjoyed guilt-free. This might explain the high volume of chocolate that changes hands over the holidays.

But there is a more powerful argument for gift-giving, deliberately ignored by most surveys. Gift-giving, some economists think, is a process that adds value to an item over and above what it would otherwise be worth to the recipient. Intuition backs this up, of course. A gift's worth is not only a function of its price, but also of the giver and the circumstances in which it is given.

Hence a wedding ring is more valuable to its owner than to a jeweller, and the imprint of a child's hand on dried clay is priceless to a loving grandparent. Moreover, not only can gift-giving add value for the recipient, but it can be fun for the giver too. It is good, in other words, to give as well as to receive.

The lesson, then, for gift-givers? Try hard to guess the preferences of each person on your list and then choose a gift that will have a high sentimental value. As economists have studied hard to tell you, it's the thought that counts.

\* "The Deadweight Loss of Christmas". AMERICAN ECONOMIC REVIEW, December 1993, vol 83, no 5.

### Is Santa a Deadweight loss questions

1. Using our “bang for buck” argument what is more valuable to most consumers according to the article, cash or an average gift?
2. If cash is more valuable “bang for buck” does that mean we get too much or too little of the gifts we receive on Christmas. Relate it to the marginal utility we get from the gift.
3. If indeed sentimental value is highly important, does that mean the  $MRS_{\text{gift, cash}}$  is greater or smaller than  $p_g/p_c$ . (Hint: remember  $MRS_{\text{gift, cash}}$  is the rate we would trade gifts for cash and  $p_g/p_c$  is the rate the market exchanges gifts for cash)

everyday economics

## The Great Banana Revolution

Should you peel bananas from the bottom up?

By Steven E. Landsburg

Posted Thursday, June 27, 2002, at 2:31 PM ET

My friend Petal peels her bananas from the bottom. Well, it's the top, actually, since bananas grow upside down. Come to think of it, that's not quite right either—bananas grow the way they grow, which should be right-side up by definition, even if we *think* of them as upside down. So let me start over. Petal peels her bananas from the end without the stem.

I mentioned as much at the lunch table last week and triggered a firestorm of debate that has put several research careers on hold and seriously jeopardized the marriage of at least one colleague who, in his single-minded pursuit of truth, has refused for over a week to talk about anything other than the pros and cons of alternative peeling methods. As of this writing, he and his wife have reached an uneasy truce that prohibits him from ever again mentioning the word "banana" in the marital household.

Petal's method is counterintuitive and thus instantly appealing to economists, who love nothing more than to overturn conventional wisdom. Multiple experiments (well, two experiments, actually, since we only had two bananas) quickly convinced a majority of the department that Petal's way is—surprisingly—easier than the traditional method, though the econometricians thought you'd need to test at least 30 bananas to report that result with confidence. The labor economists immediately resolved to apply for a grant.

The same experiments turned up a remarkable pro-Petal instance of the Law of Unexpected Consequences regarding those long stringy things on the sides of the banana that you peel off after you remove the skin. According to our two experiments, peeling from the non-stem end greatly increases the chance that those strings will stick to the skin and come away with it, obviating the need to remove them separately. The attendant reduction in labor input has been particularly persuasive to the development economists, who have also pointed to potential productivity gains from using the stem as a handle.

In the anti-Petal camp, we have the theorists who argue that peeling from the stem end must be optimal because that's what people do. But Petal counters—and indeed this is her clincher argument—that monkeys do it her way (though I think it would be more accurate to say that she does it the monkeys' way) and monkeys are the real experts. In response, my colleague, Mark Bils, who bristles whenever anyone argues that Europeans save more than Americans and therefore Americans must not save enough, is vociferously unmoved by the argument that if we differ from monkeys, the monkeys must be right.

The other major argument that's emerged in favor of the traditional approach is that bananas are more likely to be bruised near the non-stem end. If you peel from the stem, you can eat down to the bruise and throw the rest away, whereas if you peel from the non-stem, you're immediately faced with removing the bruise and figuring out what to do with it. Monkeys, who eat the bruised parts, don't have to worry about this issue.

But my friend Tara, who takes Petal's side, argues thusly (and this is verbatim because I copied it over instant messenger): "Well, the reason they're bruised at the bottom is that we're a top-centric society. When we stock bananas at the market, or select them as consumers, we handle them from the top and plunk them down on their bottoms." The point being that if we all ate from the bottom, the bananas would be handled differently and the bruises would be on the top. (I've fallen back into the top/bottom terminology in deference to Tara, who is trained in film studies and hence unlikely to be comfortable with technical terms like "stem.") To recast Tara's point in terms my colleagues will find most meaningful, we've been analyzing bruises in a partial equilibrium context—taking their location as given—while ignoring the crucial *general* equilibrium issue of

how that location is determined.

Since the phrase "You've ignored the general equilibrium issues" is every economist's all-purpose putdown, and a safe comment to make in pretty much any seminar where you've been jolted out of your sleep and are expected to make a salient remark, it's a little embarrassing that we needed Tara to point out the general equilibrium aspects of banana peeling. In our defense, Tara is an ace computer programmer and not at all your average film studies major.

Much additional work remains to be done. Some of us have launched investigations of subtler issues, such as whether the optimal method of peeling might vary with the ripeness of the banana. So far, there are only two findings I can report with any real degree of confidence. First, economists have a predictable and weak sense of humor. (No fewer than three of my colleagues independently "observed" that if you open from the bottom, the banana will fall out.) Second, if you take an economist—any economist—and give him a banana to hold by the stem and eat from the other end, he really will bear a remarkable resemblance to a chimpanzee.

Unorthodox banana habits may be more common than is generally recognized. In graduate school, I knew a guy (now a mathematical biologist of some prominence) who always split his bananas down the middle and scooped out the seeds, which he discarded. ("I hate banana pits!" he was once heard to remark.) Further field work might uncover even more bizarre behaviors, but that's a job for anthropologists, not economists. Our time is much too valuable.

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The Great Banana Revolution  
Questions

1. What is an economist?
2. How would you peel your bananas and why?
3. What is economics?

## the best policy

### Got Gas?

Oil isn't the only fossil fuel that's in crisis.

By Paul Roberts

Posted Tuesday, May 11, 2004, at 2:47 PM ET

Now that you've finally adjusted to spiking oil prices, here comes another energy crisis—in natural gas. In recent hearings before Congress, Federal Reserve Chairman Alan Greenspan confirmed what energy traders have known for months: that prices for natural gas could top \$6 per thousand cubic feet this summer—double the 2003 price and nearly three times the average price since 1980—and may soar even higher over the next four years. The gas markup will not only slow the U.S. economy and slam your wallet, it will also, perversely, delay the development of cleaner, renewable energy sources to replace oil and gas.

Natural gas doesn't attract the attention that oil does: U.S. consumers who reliably go ballistic over a 5 cent hike in gasoline are largely oblivious when natural gas prices jump. But natural gas should not be ignored. Today, natural gas—or just "gas," if you want to sound like an insider—accounts for nearly one-third of America's total energy use, and demand is going nowhere but up. Because gas is relatively clean-burning, it is popular as a heating fuel and is overtaking dirtier coal as the preferred fuel for generating electricity. (Read why it became so popular [here](#).)

What's more, gas can be refined into other fuels, including a synthetic gasoline, and can be turned relatively easily into hydrogen, aka the Fuel of the Future. This is why gas is widely touted as a "bridge" fuel—that is, a cheap, *existing* energy source that could help the world gracefully shift from its current oil-based energy economy, with its massive environmental and political liabilities, to a cleaner, more stable system in the future. But that rosy scenario becomes harder to imagine with gas at \$6.

Although gas has been around as long as oil, the gas market really didn't take off until the 1990s, when demand for electricity began to soar. A new class of companies, "energy merchants" like Enron and Dynegy, saw a dazzling new future for natural gas: They would buy it cheaply, turn it into electricity, and sell those megawatts for a nice mark-up—known as the "spark spread"—in the hungry U.S. power market. The California energy crisis of 1999 and 2000 only added to gas fever: Although we now know that the "crisis" was mainly manufactured by utilities and traders, the apparent shortage of electricity in the West spurred construction of gas-fired power plants. Since 1999, more than 220,000 megawatts of new, gas-fired power capacity (roughly 30 percent of the nation's total electric supply) have come online, worth more than \$143 billion, as investors and utilities scrambled to take advantage of increasing power prices.

All at once, the United States seemed to be on a verge of becoming a gas economy—a transformation whose benefits would go well beyond power plants. With gas "microturbines," for example, individual companies and even communities could become independent power generators, buying gas instead of electricity from utilities and creating their own self-contained "micro" power grids that would be far less prone to blackouts than the current national grid is. Such "distributed power systems," which many experts believe will eventually replace our traditional, centralized power systems, would also let consumers create their own mix of power sources. Owners of a microgrid in a city or state with strict air-quality laws, for example, could choose to emphasize wind or solar power as their main power source, filling in any supply gaps with the quick-starting gas-powered microturbines. Small gas turbines can even be used in place of a gasoline or diesel engine in gas-electric hybrid cars—yet another "bridge" technology that would let us dramatically reduce auto emissions and improve fuel economy.

Better still is the way gas could ease our transition to a more climate-friendly energy economy. Gas produces less carbon dioxide—about 50 percent less than coal and 33 percent less than oil—for the same energy

production. Granted, gas isn't the ideal climate-friendly fuel: The main component of natural gas is methane, a "greenhouse gas" with a climate-changing impact roughly 20 times that of mere carbon dioxide. Further, even if we managed to replace *all* current coal-fired power with gas-fired power, we would only cut carbon emissions by 30 percent: In other words, moving to a gas-fired economy won't solve our climate problems. But it would buy some time—perhaps another five or 10 years in the race to figure out some non-hydrocarbon energy system. This helps explain why everyone, from utilities to energy experts, is so enthusiastic at the possibility of a "gas economy."

But now the energy industry is discovering the flaw in that rosy scenario: We don't have enough gas. Even as demand is rising, America's gas production is actually falling. America's biggest gas fields have long since been tapped, and the new fields being discovered are declining in size. The United States is still the No. 2 gas producer behind Russia, but our production is still falling by about 2 percent a year.

Greenspan and others say the solution is to start importing gas like crazy. We could, for example, get gas from the vast fields in nearby Alaska and Canada's Mackenzie Delta. But to do so would require building a \$20 billion pipeline, which energy companies have so far refused to pay for without guarantees from the U.S. government.

In theory, we could also tanker in liquefied natural gas from places like Qatar or Trinidad, which have lots of gas to spare. But to import LNG, you would need to build huge re-gassification, or "re-gas," plants in U.S. ports, which let you turn the liquid back into a gas, for use in homes, power plants, and factories. Unfortunately, only a few of the 40 re-gas facilities planned for U.S. ports have been built—in large part because of citizen fears that an LNG tanker is like a floating bomb. (In fact, LNG, though flammable, is far less explosive than gasoline, which is routinely tankered into U.S. ports with little public notice.) In short, gas imports will grow only slowly, which means that supply can expand only incrementally—and barely keep up with demand.

So for the third year in a row, America faces a gas shortage, which will hit us on several fronts. Because gas is now the preferred fuel for power generation as well as for home heating, gas demand is now high both in winter and in the summer, when air conditioners drive up electricity use. Last summer's relatively mild temperatures spared us from a disastrous price spike; but forecasters fear that if this summer turns out as hot as early trends suggest, we could see short-term gas prices hit \$10 per thousand cubic feet.

Longer term, the gas picture is more complex. On the positive side, the higher prices may act as a kind of corrective to the supply imbalance, both by depressing American demand (many big industrial gas users are simply shutting down and moving to Europe, where gas is cheaper) and by encouraging companies to import LNG as fast as is politically possible. Higher gas prices—and the corresponding higher electricity prices—will also tend to make alternative energy sources look attractive: The high gas prices of 2000 helped touch off a boom in wind farms in the United States.

The downsides, however, are significant. U.S. electricity demand shows no signs of slowing, and that is likely to suck up any new gas supplies as quickly as they appear, keeping the gas market relatively tight. Tight markets are prone to volatility: There is no slack, no spare gas in the system to cover, say, an unexpected cold snap. Prices can whipsaw violently, which not only hurts consumers and businesses, but makes energy companies leery of investing in gas and LNG infrastructure, because they never know where the price will wind up—and thus, how quickly their investment will pay off. This reluctance, in turn, only further retards the expansion of gas supplies, which adds even more upward pressure to prices.

But the biggest loser may be the emerging vision of a gas economy. If markets remain tight, we'll be so busy trying to supply our power plants that we won't have much gas left over for any new applications—for, say, making synthetic gasoline, or hydrogen for fuel cell cars, or microgrids, or any of the other elements that

might make up a new energy economy. To be sure, markets have a way of correcting themselves. High prices will *eventually* bring on new supply, especially in the form of imports, and this new supply will *eventually* help fuel the transition to a cleaner energy system. But it won't happen as quickly as it might have, and this delay could prove costly. For every year we remain with the existing energy economy—generating our power with coal, or running our cars on oil—will not only increase the damage to the environment, but also make it harder and more expensive to change to something better.

## sidebar

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Until fairly recently, gas was regarded as a throwaway fuel. Where coal and oil are easy to ship, gas needs expensive pipelines, severely limiting its marketability. But that began to change in the 1980s. Not only were pipelines becoming cheaper to build, but energy companies had perfected ways of compressing gas into liquefied form—liquefied natural gas, or LNG—that can be shipped aboard huge tankers.

The more important change was in demand. As oil prices jumped in the 1970s, gas became more attractive for both consumers and industrial users, especially power utilities, which quickly turned gas into a rising energy star. Gas had far fewer environmental or political constraints than traditional power sources—coal and nuclear plants and hydroelectric dams. True, gas was slightly more expensive than coal. But a new gas-fired power plant was much cheaper to build than a coal plant and could be put up much faster. Gas turbines can also be started and stopped more quickly than coal-fired systems, allowing utilities to fire them up as needed: during periods of peak power demand, for example, or in emergencies, when other power sources fail. This is why more than 90 percent of new power plants in the United States burn gas and why gas-fired power has been the trend in Europe, Japan, and even the developing world.

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According to one study, as much as 2 percent of gas piped through the United States system escapes into the air, considerably raising the potential climate impact of a natural-gas economy. And the U.S. gas system is in far better shape than gas systems in the rest of the world.

*Paul Roberts is the author of [The End of Oil: On the Edge of a Perilous New World](#).*

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Got Gas?  
Questions

1. According to the article is the supply for natural gas elastic or inelastic? Why?
2. What do you think the supply curve for natural gas looks like? Is it linear? Is it the same shape over its entire range?
3. Is the short run or long run supply curve for natural gas more elastic? Why?

# More Consumers Reach Out to Touch the Screen

ARTICLE TOOLS  
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AN AMERICAN EMPIRICAL  
PICTURE BY  
WES ANDERSON

By AMY HARMON

Published: November 17, 2003

Striding into the airport here one recent afternoon, Kimberly Ward did not so much as glance at the two ticket agents waiting at the counter. Like most of her fellow travelers, she instead claimed an automated check-in terminal, touched its screen a few times, and took the proffered boarding pass with a quick smile of thanks.

Ms. Ward, 37, pays for gas only at the pump. She shops at Marsh, a supermarket in her neighborhood that has machines that let customers scan, bag and pay for groceries themselves. Her favorite bank teller is her A.T.M.

Dealing with humans in such situations "just slows you down," she says. "This is a lot more convenient."

A new generation of self-service machines is slipping into the daily lives of many Americans. Rejected for decades as too complicated, the machines are being embraced by a public whose faith in technology has grown as its satisfaction with more traditional forms of customer service has diminished. Faced with the alternative -- live people -- it seems that many consumers now prefer the machines.

"The main thing is you don't want to deal with the cashiers and their attitudes," said Dexter Thomas, 37, bagging his own pizza rolls and Eggos in a self-checkout lane at Pathmark store in downtown Brooklyn this month. "That's why people come to this line."

Soon they may have little choice. Eager to save money on labor costs, businesses are stepping up the pace of automation. Nearly 13,000 self-checkout systems will have been installed in American retail stores like Kroger and Home Depot by the end of this year, more than double the number in 2001, according to the market research firm IDC. Delta Air Lines spent millions of dollars this year to line 81 airports with chest-high automated kiosks: 22 million of its passengers -- 40 percent of the total -- checked in by touch-screen this year, up from 350,000 in 2001.

Fast food restaurants like Jack in the Box and McDonald's are experimenting with automated ordering stations that executives say have reduced lines and the need to order from a human being. "Skiosks" dispense lift tickets at several Colorado ski resorts. Urged on by theater advertising, millions of moviegoers now buy tickets from one computer by

phone and pluck them from another at the theater, though eye contact is sometimes still necessary to gain admission.

The sudden influx of the machines, which still look and sound like the souped-up PC's that they mostly are, heralds what economists see as the eventual roboticization of large chunks of the service sector. In a standard economic paradox, they are already beginning to both eliminate jobs and increase productivity.

But their arrival is also prompting a retooling of people's reliance on machines, and each other. Celebrated for their convenience, the devices appeal to an antisocial impulse that critics find troubling.

"The question we should be talking about is not how much faster do you get your chicken if you go through a kiosk," said Sherry Turkle, a psychologist at the Massachusetts Institute of Technology who studies human interactions with digital devices. "The question is, 'What is it doing to our social world when we deploy this technology to all these parts of the life cycle?'"

For many Americans, however, chicken check-out speed turns out to be quite the burning question. Marcia Boone, 62, said she has been using self check-out ever since it was installed in her local grocery store earlier this year. She has become so good at it that she sometimes chooses to go through the steps in Spanish, just for the challenge.

"You eliminate a step," explains Mrs. Boone. "Even in our express lane with a regular checker, they run it through and then it's sitting on the counter, and then they bag it. Whereas I run it through and then I bag it right away."

A self-described "people person," Mrs. Boone, of Talleyville, Del., says she now talks back to the machine. "After you scan, if you don't put it into the bag fast enough, it will say, 'Please put the item in the bag,' and I'll say, 'I'm getting there, I'm getting there,'" she said.

The growth of self-service machines, experts and users say, is partly a result of improvements in the technology since the early days of automated teller machines, which were much slower to catch on. Now more R2D2 than Darth Vader, most of today's kiosks have shed their hulking shells. Grubby number pads and monochrome displays have been replaced with brightly colored touch-screens that respond instantly -- and help foster a trust in the technology that mere mortals may never again command.

"If we asked people even a few years ago which would be more likely to make a mistake, an A.T.M. or a cashier, they would say the A.T.M.," said Clifford Nass, a professor of communication at Stanford University. "Now people would say the cashier. That's an amazing change."

But for many of those who declined to use similar technology in similar places when it was repeatedly tried over the last 20 years, the main appeal of the machines is the chance

to avoid what they say are increasingly frequent frustrating, hostile or guilt-inducing interactions with service workers.

"They always get mad at me at Amtrak," said Megan Lesser, 26, of Brooklyn, who prefers to discuss schedules with Julie, the train company's voice-activated phone service, and buy her tickets at the electronic kiosks in Pennsylvania Station. "They say I have the wrong card, or if you go up to the window too fast, they're like, 'You have to get back in line and wait until someone calls you.' "

Critics say the machines may also provide an all-too-easy escape from social interactions across class lines that may prompt some shoppers to wonder uncomfortably if a minimum-wage cashier has health insurance, or lead an employee to respond angrily to a customer. But some weary consumers say they would just prefer to serve themselves.

Brian Southard, 30, of San Diego said employees at his local supermarket make him feel like it is an inconvenience for them when he shops there. He prefers kiosks at airports and was thrilled to find them installed recently at his Home Depot.

"I like people, but if someone's having a bad day and you get that wave of negativity, it can impact my day, too," said Mr. Southard.

Machines have been displacing people since well before the Luddites began smashing them at the dawn of the Industrial Revolution. But economists say this is the first time computers have been flexible enough to automate a broad range of skills, including cognitive ones, that previously required complex interaction with people.

"The types of jobs now amenable to displacement by technology is really something we haven't seen before, said David Autor, a labor economist at the Massachusetts Institute of Technology. "If you don't have one of those jobs, you're a beneficiary, because the lines are shorter and your airline ticket price won't go up as fast. But it's going to have a significant impact on the people in these jobs now."

Businesses insist that they are not using machines as a direct substitute for human labor, but plan instead to compete by improving their service over all. But union representatives say jobs have already been lost as a direct result of the kiosks, and they say that the machines are causing perceptions of customer service to decline.

Airline employees say they often have to soothe passengers after a frustrating kiosk encounter. Twenty-five percent of the riders surveyed by New York City Transit recently said they had had a problem with the city's recently installed MetroCard machines, which now handle more than half of all sales.

Navigating a Delta kiosk for the first time at the Indianapolis airport, Cathie Franklin, 52, yearned for the days when someone else at least pretended to be happy to press the buttons for her. "I deal with computers all day at work," said Mrs. Franklin. "I don't want to have to deal with them when I'm traveling on vacation."

Many service employees are now being told to train people to use the technology that will ultimately replace them.

"The managers tell our people to tell customers to use those machines," said Bobby DePace, president of District 143 of the Machinists Union, which he said had already lost jobs at Northwest Airlines directly as a result of the kiosks. "If you don't tell them to use the machines, you're going to be disciplined."

Driving the corporate embrace of machines is some basic math. A typical airline kiosk costs less than \$10,000, said Robert W. Mann Jr., an airline industry consultant in Port Washington, compared with a salary for a customer service agent of \$20,000 to \$40,000, plus benefits. Self-checkout systems pay for their \$80,000 price tags after about 15 months, and then the average cost of a transaction to the retailer is cut nearly in half because of labor cost savings.

"Self-service machines never call in sick," said Greg Buzek, president of the IHL Consulting Group, a retail technology research firm. "You don't have to worry about scheduling issues. You don't have to worry about vacations."

Then there are the things you do have to worry about.

One morning this month, Luciano Guerreiro of Manhattan deposited a \$100 bill in a machine at the 23rd Street C/E subway station for a \$20 MetroCard, only to discover that it would not give him the change. The clerk in the booth listened sympathetically as Mr. Guerreiro explained at high volume what had happened.

"I'm sorry," the clerk said, giving him a number to call. "Once you use the machine, I can't help you."

More consumers reach out to touch the screen questions

1. With innovation does MPK increase, decrease, or stay the same?
2. With innovation does MPL increase, decrease, or stay the same?
3. As firms incorporate more capital (and less labor) do you think MPK increases, decreases or stays the same according to the article? Why?
4. As firms incorporate more capital (and less labor) do you think MPL increases, decreases or stays the same according to the article? Why?
5. According to above answers what do you think happens to  $MRTS_{L,K}$ ? Why?
6. Draw some isoquants that are consistent with your above answers.
7. What do you think innovation does to alter the production that makes all your answers consistent.

# Why the Yankees Signing Roger Clemens was a Mistake

## Rocket Scrubbed for Launch in New York?

28 million dollars. I don't think I even need to say anything else to convince you that signing Roger Clemens was a mistake for the Yankees.

I know that it is prorated but even after all is said and done Clemens will collect around 20 million dollars for about 4 months of work. Not bad for a part time job, huh? The Yankees have been known to throw there money around especially when they are desperate, but this takes things to a whole new level.

Besides the money why is signing Roger Clemens a bad idea? For one he will be added to one of the oldest starting rotations in baseball. One of the main problems of the New York Yankees is that they have a terrible time finding young talent. When they think they have it, they throw some serious money at young free agents and they usually end up a bust (Carl Pavano and Jose Contreras among others). It seems as if the Yankees are content to sign older proven pitchers, even if they are breaking down physically. The Yankees signed Clemens (45), Randy Johnson, Mike Mussina and Andy Pettite. None of these pitchers can last very long and Clemens, the oldest of the bunch, probably does not have much stamina.

The main problem this season for the Yankees is the bullpen. The less time the bullpen has to be in the game, the more likely the Yankees win the game. I just can't see how Clemens will help this problem. In the National League Central, a league not known for its power hitting, Clemens was only a 6, sometimes 7, inning pitcher. In the American League you can shave an inning off his average because the AL hits better and has no DH. That means that if Clemens only pitches an average of 5 or 6 innings a game, the bullpen still has to pitch 3-4 innings on a good night. This will wear out the bullpen and lead to more blown games.

I think another problem for the Yankees is that they seem to have a serious problem realizing that the National League is inferior to the American League. They sign players from the NL all the time to big contracts and wonder why they are much worse in the American League. They did this with Carl Pavano and Randy Johnson recently. It is not a coincidence that Randy Johnson was great in the NL came to the AL and was pretty bad, then he returns to the NL and is good again. Clemens was fantastic in Houston, there is no questioning that, but the NL Central is certainly not as tough as the AL East and the NL isn't as tough as the AL. I see Clemens's sub-2 ERA going up to at least the high-3's or the mid-4's, although at this point maybe that is still a plus for the Yankees.

Some may argue a few points here. I know that 28 million isn't a lot for the Yankees. They can afford to make this mistake more than anyone could, but is that really a reason to take the Yankees off the hook for their bad decisions? Roger Clemens will probably be

better than most of the aging pitchers the Yankees could trot out there, but isn't it more beneficial to the Yankees in the long run to trot there promising young starters out there to get game experience? Some of these young pitchers look really good.

Anyway I guess it is possible that Roger Clemens comes in and saves the season for the Yankees. They either come back in the AL East or in the wildcard. I guess if that happens 28 million dollars is a steal for the Yankees. The problem is that one player, especially one who only plays every 5 days, isn't going to do this, and the fact of the matter is the Yankees probably won't even come back at all. 28 million dollars is the most anyone has ever made for one season of Major League Baseball, and Clemens is certainly not the best player in all of baseball when he comes back. This is a huge mistake for the Yankees and I would say Brian Cashman should start packing the things in his office. 28 million doesn't buy you much these days, 200 million doesn't buy you much these days, unless you want to buy a last place baseball team. Oh and don't forget the luxury taxes. The Yankees could possibly come to there senses and void the Clemens contract this week, but that won't happen. This looks like a mistake that was destined to happen.

### Why the Rocket was a mistake questions

1. According to the article why might signing Roger Clemens have been a mistake? Relate it to marginal utility and other alternatives.
2. According to the article why might signing Roger Clemens be a good idea. Relate it to marginal utility.
3. What would the article argue about Clemens marginal utility as games increase?
4. What might the article argue about young pitchers as games increase?
5. Was signing Clemens a mistake? Answer using economics.

# Tortilla Price Hike Hits Mexico's Poorest

By John Ward Anderson  
Washington Post Foreign Service  
Tuesday, January 12, 1999; Page A11

MEXICO CITY — When the Mexican government ended its long-standing subsidy of tortillas on Jan. 1, the result was a five-day crash course in free-market economics and tortilla politics that left a bad taste in everyone's mouth.

For 25 years, the government has subsidized tortilla production and regulated the price of the popular corn-flour pancakes, which are to Mexicans what baguettes are to Parisians or rice is to the Chinese. But falling oil prices and pressure from international lenders have forced the government to cut spending. When the ax fell on tortilla subsidies, prices responded like a basketball released from the bottom of a swimming pool, more than doubling in some places.

The result has been an angry backlash, particularly among impoverished Mexicans who rely on the soft, chewy disks for half their daily diet.

"Tortillas are the most politically sensitive product in the Mexican economy, and that was why they were the last to be liberalized," said political commentator Sergio Sarmiento. "You cannot maintain price controls for decades on a staple food item and then just lift them without a lot of turbulence."

Now, price controls, which are anathema to the Ivy League-educated free-market advocates in the government of President Ernesto Zedillo, are looking pretty attractive once again. Last Wednesday, after the price of tortillas had bounced from about 14 cents per pound to as much as 32 cents in some places in five days, and 23 cents in Mexico City, Commerce Ministry officials and tortilla producers reached an agreement to discourage price gouging by setting a voluntary ceiling of 16 cents per pound for the next three months.

Officials said that about 80 percent of the country's roughly 40,000 tortilla producers have agreed to the voluntary price cap. Whether they will abide by it and what happens when it expires in April remain to be seen.

The tortilla tempest has become all the more explosive because of recent sharp price increases in other commodities here. According to supermarket surveys conducted by Mexico City newspapers, in the first week of January prices in the capital shot up 39 percent for chocolate, 33 percent for cheese, 25 to 30 percent for beer, 28 percent for orange juice, 19 percent for beans and 12 percent for milk. In one of the city's main vegetable markets, according to one newspaper, the price of onions was up 100 percent in the last month, tomatoes were up 66 percent and carrots, 40 percent.



Juan Manuel Hernandez Escamilla weighs tortillas for a customer at the Mexico City tortilla shop his family has run for two generations. (John Ward Anderson — The Washington Post)

Many blame the sudden rise in food prices on higher transportation costs. In November, the government raised gasoline prices 15 percent, and soon after it authorized 33 percent increases in taxi and bus fares. Such increases will make it difficult for the government to hold inflation to its target of 12.8 percent this year, analysts said. Many predict an inflation rate of around 18 percent.

On Thursday, the government said inflation in 1998 was 18.6 percent, about 6 points more than it had projected.

At the same time, the government has approved an increase in the minimum wage this year of just 14 percent, saying it was concerned about the effect rising wages could have on inflation.

One key question is whether the ruling Institutional Revolutionary Party (PRI) will pay a political price for the economic squeeze, beginning with seven state governors' races this year.

For the first time since the 1994 peso devaluation and later deep recession, Mexicans last year finally got some relief in their pocket books, with real personal income rising about 3 percent after three years of stagnation or decline, political analyst Sarmiento said. He credited the improvement for the relatively strong showing by the PRI in state elections last year. But with inflation and taxes rising, "there will be a political price at the polls this year for the government and the PRI, and the only way that price will get watered down is if incomes go up," he said.

The government has been phasing out tortilla price controls and subsidies for several years, arguing that a general subsidy favored the wealthy as well as the poor, and that the money would be better spent on programs exclusively for the impoverished. But critics contend that abolition of the controls hurt the poor disproportionately since they eat up to four times as many tortillas as rich Mexicans, who prefer more expensive bread.

With plummeting oil prices so far creating about a \$1.5 billion budget shortfall this year, the \$1-billion-a-year subsidy for tortilla producers became an attractive target for the Zedillo administration. The decision was politically hazardous, however, because Mexicans on average annually eat about 220 pounds of tortillas per person, according to industry statistics. Because they often cannot afford meat, poor Mexicans eat more than a pound of tortillas a day -- wrapped around cheese, flavored with salt or chilies or eaten plain -- accounting for half their daily calorie consumption.

"I have no choice but to buy more tortillas and less meat, chicken and vegetables," said Maria Teresa Munoz, 44, while buying her daily tortillas at a local market. "I think very poor people are going to be hurt the most, not only with high prices in tortillas, but in almost every other item we use to cook. I'm lucky I can give my kids a meal every day. Others can't do even that."

But tortilla makers said that the competition will encourage them to modernize equipment that has not been replaced in decades, while improving the quality and nutritional value of the tortillas they sell. And while there may be some wild price fluctuations initially, the free-floating tortilla will eventually level off at a reasonable, affordable price, producers and sellers said.

"The move [to end controls] will be good for customers because they will be able to choose where to buy better tortillas," said Juan Manuel Hernandez Escamilla, 25, who works at a tortilla shop in Mexico City that has been in his family for two generations. "In a free market, people will go for the best quality, and prices will not go crazy."

In December 1995, one pound of tortillas cost 6.6 cents in Mexico City.

In August 1997, the price had risen to 9.9 cents per pound.

By September, the price jumped to 11.2 cents.

Last February it inched up to 11.9 cents.

From May '98 through the rest of the year, the price remained stable at 14 cents.

On Dec. 31, price controls were lifted, and the price jumped to 23 cents in Mexico City.

On Jan. 6, Commerce Ministry officials and tortilla producers agreed to a voluntary ceiling price of 16 cents.

SOURCE: Staff reports

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Tortilla Price Hike Hits Mexico's Poorest  
Questions

1. Are tortillas an inferior good?
2. As a result of the dropped subsidy the price of tortillas rises. What is the substitution effect for tortillas?
3. What is the income effect for tortillas?
4. Draw a graph representing the change in prices and your answers to parts 1 and 2.
5. According to Maria Teresa Munoz, which effect was stronger for her, the substitution or the income?
6. Does your answer from number 4 violate the law of demand?

Giants Econ 101: Sunk Costs are Irrelevant  
by The Giants Curmudgeon, Jul. 17, 2007

Okay Giants fans, don't get scared off by the economics lingo, but today's lesson is in "sunk costs." Apparently the Giants do not subscribe to the basic economic theory that sunk costs should be disregarded when making rational decisions. If Giants management would heed this elementary concept of economics, the Giants could be a championship team within a few years.

Here's Wikipedia's description of sunk costs: "In economics and in business decision-making, sunk costs are costs that have already been incurred and which cannot be recovered to any significant degree. Sunk costs are sometimes contrasted with variable costs, which are the costs that will change due to the proposed course of action. In microeconomic theory, only variable costs are relevant to a decision. *Economics proposes that a rational actor does not let sunk costs influence one's decisions, because doing so would not be assessing a decision exclusively on its own merits.*"

As applied to the Giants, this means: move on from bad decisions, rather than continuing to try to make those decisions work just because money was initially invested in the bad decision. The Giants have not followed this approach.

Remember Edgardo Alfonzo? The Giants waited three years to give up on him. Why did the Giants wait so long? Because the Giants had invested a lot of money in him, signing him to a four-year deal. The club was obviously afraid of the criticism that would follow if they dumped him too soon after signing him to a four-year deal.

Armando Benitez is a similar example. He should have been traded as soon it became clear that he was as much of a choker on the Giants as he had been in NY. The only reason he was retained so long was because the Giants had invested in him, and refused to reevaluate that investment.

How about Rich Aurilia? Why is he still on our roster? The Giants signed him when cobbling together veterans in the hopes of a playoff run this year, and now they figure they better try to get their money's worth, despite the fact that this is no longer a playoff year. Now is the time to cut him loose. Eat his contract if necessary. Add a youngster to the roster in his place.

Dave Roberts? I'm a huge fan of this guy, so it hurts me to say this, but why is he still playing for the Giants? The only reason is that we paid a chunk of money for him. Play Fred Lewis or Nate Schierholtz, and cut Roberts loose. Even if Roberts' numbers improve this season (which they will), there is no chance that Roberts can contribute to the future of this club.

Some might urge selling off Zito under this sunk cost theory. I'm not one of them. Although we grossly overpaid for this non-ace pitcher (he's a number 2 pitcher at best), I'm confident that he will be a productive member of the staff for years to come, despite

his current numbers.

But the reason to keep him is not because we paid so much for him. It is because of optimism about his future. If the Giants management becomes convinced that he will put up mediocre numbers in the future, they should trade him immediately, regardless of how much of a financial hit the team will take.

I play poker with a guy who, like Giants management, doesn't seem to get the concept of sunk costs. He always talks about pot odds. But if your cards suck, and you aren't going to bluff the other players out, it's time to fold, regardless of how much of your money you already put into the pot that hand. Otherwise, it's called good money after bad, and that has been the Giants unspoken motto for years.

Here's my advice to the Giants. Take a fresh look at the roster. Pretend there are no contracts and no money invested in anyone. Focus only on the future of the club, and make decisions without regard to how this season will end up. With these parameters, answer the following: who would you keep, and who would you cut? For starters, I'd cut Aurilia, Klesko, Sweeney and Roberts.

Finally, a note to loyal Curmudgeon readers: yes, we noticed that weeks after the Curmudgeon called for trading Morris and having a fire sale, the Examiner and Chronicle ran similar pieces. Beyond Chron editors tell me that they are used to that kind of "borrowing" by the daily papers.

But Henry Schulman's piece in the Chron on Friday ("Win or Trade Winds: If this weekend's series with the Dodgers doesn't go well, get ready for a fire sale"), merely confirms the delusional approach that winning one series should keep this team from the fire sale that is so desperately needed. With the Dodgers sweeping the Giants over the weekend, perhaps local columnists and the Giants management will finally see the light.

## Giants Econ 101 Questions

1. Is a baseball player's salary a sunk cost? Explain
2. If a baseball player's salary is a sunk cost, what are the nonsunk costs of a baseball player?
3. What are some implicit costs of having a player like Edgardo on the roster?
4. What should be the criteria for keeping a player on the roster?