

# **Eco 610 Detailed Course Outline and Reading Assignments** **(First Half of Course):**

**Friday, June 9:** 9:00-11:30 a.m.

**Monday, June 12:** 9:00-11:30 a.m.

**Wednesday, June 14:** 9:00-11:30 a.m.

**Topics:** basics of market systems, demand and supply analysis.

## **Reading assignments:**

**Text:** BSZ, ch. 3, "Markets, Organizations, and the Role of Knowledge."

Goal of economic systems

Property rights and exchange in a market economy

    Dimensions of property rights

    Gains from trade

Basics of supply and demand

    The price mechanism

    Prices as social coordinators

    Government intervention

Markets versus central planning

    Specific knowledge and the economic system

    Incentives in markets

Contracting costs and existence of firms

    Contracting costs within firms

## **Required outside readings:**

"Tempur-Pedic stock up after report, analysis," *Lexington Herald-Leader*, July 26, 2012: if you are captain of the ship, how broad is the scope of activities that fall under your purview? <http://www.kentucky.com/2012/07/25/2270718/tempur-pedic-stock-up-after-2q.html>

"China's Winter of Discontent," *WSJ*, 3/14/06: who determines the internal temperature of your house or apartment? <http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398959819?accountid=11836>

"Lawmakers struggle to define gasoline price 'gouging,'" *WSJ*, 11/9/05: how will a society allocate scarce resources, and what adjustment process will it use when the relative scarcities of different resources changes? <http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398991187?accountid=11836>

"With Venezuelan Food Shortages, Some Blame Price Controls," *New York Times*, 4/20/12: what would Juan Valdez say about coffee shortages in Venezuela? [http://www.nytimes.com/2012/04/21/world/americas/venezuela-faces-shortages-in-grocery-staples.html?pagewanted=all&\\_r=0](http://www.nytimes.com/2012/04/21/world/americas/venezuela-faces-shortages-in-grocery-staples.html?pagewanted=all&_r=0)

“Corn’s Rally Sends Ripples,” *WSJ*, 1/18/07: contemplating a career picking winners and losers in the stock market? When you play chess, do you think two moves ahead or six moves ahead?

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398983538?accountid=11836>

**Additional resources:**

Milton Friedman: Story of the Pencil—how markets work to allocate resources.

<http://www.youtube.com/watch?v=4ERbC7JyCfU>

Youtube: How long does it take to buy basic products in Venezuela? (if you want to see more amusing (to those not living in Caracas) videos, type in “price controls and shortages in Venezuela”).

<https://www.youtube.com/watch?v=1CMEemKe5mS0>

CNN report on London terror attack: Is there a socially desirable supply response that might result from price gouging (surge pricing) by Uber?

<http://money.cnn.com/2017/06/04/technology/uber-london-attack-surge-pricing/index.html>

Youtube: Supply and demand, worth watching not necessarily for the economics lesson but because it contains scenes from several of your professor’s favorite movies.

<https://www.youtube.com/watch?v=RP0j3LnLazs>

Youtube: economic development in four minutes. Alternatively, you could take a month and read *The Wealth of Nations* by Adam Smith.

<http://www.youtube.com/watch?v=jbkSRLYSojo>

CIA World Factbook: comparative economic systems—all the facts in one convenient place.

<https://www.cia.gov/library/publications/the-world-factbook/>

**Optional additional outside readings:**

“Tempur Sealy appears to stay course after shakeup,” *Lexington Herald-Leader*, 6/1/15: what sometimes happens when the captain charts the wrong course,

<http://infoweb.newsbank.com.ezproxy.uky.edu/resources/doc/nb/news/155B3382624F6E98?p=AWNB>

and another local company that ran aground, costing the captain his job.

<http://smileypete.com/business/lexmark%E2%80%99s-new-leader-hits-reboot-button/>

“Prices Low, Oil-Service Firms Can’t Dig It,” *WSJ*, 7/20/09: does the market supply curve slope upward to the right?

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399120534/fulltext/13873851A1117392CE1/65?accountid=11836>

“Crop technology helps limit corn losses during drought,” *Lexington Herald-Leader*, July 12, 2012, p. A7: change in technology causes supply curve to shift to the right.

<http://bigstory.ap.org/article/drought-cuts-projected-corn-harvest-12-percent>

“Natural-Gas Prices Getting Hotter,” *WSJ*, 10/12/16, p. C1: shift in supply due to a change in the price of a good that is a complement in production. Can you imagine the sorts of supply and demand exam questions I might devise based on this reading?  
<http://search.proquest.com.ezproxy.uky.edu/docview/1827835207/9B539FFD5880458CPQ/82?accountid=11836>

“IKEA’s India Bet Hits Thicket of Rules,” *WSJ*, 2/24/16: doing business around the world—a quick course in comparative economic systems.  
<http://search.proquest.com.ezproxy.uky.edu/docview/1767558436/24E6EB9FD2854E73PQ/4?accountid=11836>

Read these two articles after you watch the “economic development in four minutes” video to see a major reason for the location of the U.S. on the grid.

“How the West Was Really Won,” *WSJ*, 5/19/12:  
<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1014209562/138739061E73E5C67FF/48?accountid=11836> and

“Politics Plays Part in Achieving Rich-Nation Status,” *WSJ*, 5/16/11:  
<http://search.proquest.com.ezproxy.uky.edu/docview/866537076/B2B3968D26FA4C00PQ/9?accountid=11836>

Two countries going in different directions RE markets vs. central planning:  
“As Economy Grows, North Korea’s Grip on Society is Tested,” *New York Times*, 5/1/17.  
<http://search.proquest.com.ezproxy.uky.edu/docview/1893439516/6B98A8736BF04FEAPQ/2?accountid=11836>

“Venezuela is Starving—Hobbled by Economic Policies, Latin America’s Once-Richest Country Can No Longer Feed its People,” *WSJ*, 5/6/17.  
<http://search.proquest.com.ezproxy.uky.edu/docview/1895499247/5CF40B45C8B34BBDPQ/1?accountid=11836>

**Friday, June 16:** 9:00-11:30 a.m.

**Monday, June 19:** 9:00-11:30 a.m.

**Topics:** determinants of demand, estimating demand, elasticity.

**Reading assignments:**

**Text:** BSZ, ch. 4: “Demand.”

Demand functions

Demand curves

    Law of demand

    Elasticity of demand

Other factors that influence demand

    Prices of related products, income, other variables

Industry vs. firm demand

Product attributes

Product life cycles

Demand estimation

Interviews  
Price experimentation  
Statistical analysis

**Required Outside readings:**

“PepsiCo Pushes Breakfast in Bid to Heat Up Oatmeal,” *WSJ*, 7/28/10: imagine that you are named brand manager for this newly acquired product line and are tasked with pumping up demand for Quaker Oats.  
<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/732571063?accountid=11836>

“Thrill parks try to boost attendance: Some lower their fees to attract crowds,” *Lexington Herald-Leader*, 5/27/06: to increase our revenues, should we raise or lower the price of admission? <http://bit.ly/odthLq>

“For Dollar Stores, a Mixed Bag,” *WSJ*, 7/11/13: do all companies suffer in a recession?  
<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1399253185/13FBAC776B7259CDD87/82?accountid=11836>

**Additional resources:**

Simple and straightforward explanation of own-price elasticity:  
[https://www.youtube.com/watch?v=4oj\\_lnj6pXA](https://www.youtube.com/watch?v=4oj_lnj6pXA)

**Optional additional outside readings:**

“India Has 1.2 Billion People, But Not Enough Drink Coke,” *WSJ*, 6/27/12: ascertaining consumer tastes and other determinants of demand in foreign markets.  
<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1022247231/1387395E1291FB8BA98/79?accountid=11836>

“Free MBAs Attract a Lot of Business,” *WSJ*, 4/7/16: what happens to demand when price drops to zero?  
<http://search.proquest.com.ezproxy.uky.edu/docview/1778927385/C9EAA51FA95D4812PQ/75?accountid=11836>

“The Evolving Economics of the App,” *WSJ*, 3/4/13: re-read this article later in the course when we talk about pricing with market power.  
<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1314301987/13FBACD87F12ECE674C/73?accountid=11836>

**Team assignment:** Meet with your Project Connect team to discuss your company. What are its products? Who are its customers? Discuss conceptually the economic factors that influence customer demand for your company’s products. Then consider how you would go about conducting an empirical demand study, if you were given a \$50,000 budget to collect and analyze data.

**Wednesday, June 21:** 9:00-11:30 a.m.

**Friday, June 23:** 9:00-11:30 a.m.

**Topics:** production, economic costs, economic profit.

**Reading assignments:**

**Text:** BSZ, ch. 5: “Production and cost.”

Production functions

Returns to scale

Returns to a factor

Choice of inputs (skim the whole section)

Costs

Cost curves

Short run vs. long run

Minimum efficient scale

Learning curves

Economies of scope

**Required Outside readings:**

“Holiday Hiring Call: People vs. Robots,” *WSJ*, 12/20/10: determining the cost-minimizing input mix.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/818622450?accountid=11836>

“Honda’s Flexible Plants Provide Edge,” *WSJ*, 9/23/08: connect this reading with the discussion of the shape of the LRAC in ch. 2 of BDSS.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399105360?accountid=11836>

“Small Talk,” *WSJ* 5/30/06: thinking about buying an existing business so you can be your own boss? Here are some things to consider.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399047133?accountid=11836>

“Accounting’s 21<sup>st</sup> Century Problem,” *WSJ*, 3/22/16: it was also a problem during the 20<sup>th</sup> century.

<http://search.proquest.com.ezproxy.uky.edu/docview/1774739976/CC673B578D9941CEPQ/69?accountid=11836>

**Additional resources:**

Khan academy: see the example on accounting profit vs. economic profit,

<http://www.khanacademy.org/science/microeconomics/firm-economic-profit/economic-profit-tutorial/v/economic-profit-vs-accounting-profit>, and

<http://www.khanacademy.org/science/microeconomics/firm-economic-profit/economic-profit-tutorial/v/depreciation-and-opportunity-cost-of-capital>

YouTube: production functions and law of diminishing returns,  
<http://www.youtube.com/watch?v=FBkftZikIdU>

Robots come to dairy farming, <http://www.nytimes.com/2014/04/23/nyregion/with-farm-robotics-the-cows-decide-when-its-milking-time.html>

Numerical example of short-run costs: <http://tutor2u.net/economics/revision-notes/a2-micro-supply-shorrun-costs.html>

Major consumer goods producers and the scope of their product lines:  
<http://www.convergencealimentaire.info/map.jpg>

### **Optional additional outside readings:**

“Economic Profit vs. Accounting Profit,” *WSJ*, 6/2/03: an esoteric discussion of the concept of profit as treated in ACC 201 vs. ACC 202. If you understand this article you are ready to go to work for Warren Buffett.  
<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398903478/138739DD9F16BF6DFC8/40?accountid=11836>

Warren Buffet on economic profit: *The Essays of Warren Buffett: Lessons for Corporate America*, 2<sup>nd</sup> edition, 2008, Chapter 6C, “Economic Goodwill vs. Accounting Goodwill.” Also take a look at the first part of his 1983 letter to Berkshire Hathaway shareholders: <http://www.berkshirehathaway.com/letters/1983.html> His entire set of letters can be found at: <http://www.berkshirehathaway.com/letters/letters.html>

“The Market’s Tough Love Delivers,” *WSJ*, 5/22/17: you issue pieces of paper giving a claim to future profits; you can use that capital to do anything and don’t even have to pay it back; but if you want more . . .  
<http://search.proquest.com.ezproxy.uky.edu/docview/1900666215/C1DD15FA68BF4EB2PQ/41?accountid=11836>

“Amazon Adds That Robotic Touch,” *WSJ*, 3/20/12: tradeoff between capital and labor in the production process.  
<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/929078080/13873A065957AB4D7/74?accountid=11836>

“Amazon Robots Get Ready for Christmas,” *WSJ*, 11/20/14: could you head up a project to determine the cost-minimizing mix of robots and workers during the peak and off-peak seasons?  
<http://search.proquest.com.ezproxy.uky.edu/docview/1626121572/92A2AB457DB74662PQ/67?accountid=11836>

See the robots in action at: <http://www.youtube.com/watch?v=6KRjuuEVEZs>

“Frito-Lay Aims to Cut Gas Bill’s Bite,” *WSJ*, 6/5/06: deciding whether it is economical to substitute capital for energy in making potato chips.  
<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398990274/13873A32DD169DE1D01/38?accountid=11836>

“New Role for the Gator: Chicken Farmer’s Friend,” *New York Times*, 6/18/2000: read this and you will never forget the concept of economies of scope.

<http://www.nytimes.com/2000/06/18/us/camilla-journal-new-role-for-the-gator-chicken-farmer-s-friend.html?pagewanted=all&src=pm>

“Kraft Picks Leaders for Split,” *WSJ*, 12/6/11: economies of scope or diseconomies of scope, and implications for mergers and divestitures.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/908477763/13873A4DA7C70384EF8/83?accountid=11836>

**Individual assignment:** take virtual plant tours of Toyota’s Georgetown manufacturing facility (<http://www.toyotageorgetown.com/tourvid.asp>) and Reid Dairy’s processing facility (<https://www.youtube.com/watch?v=mTtbXot3lik>). As you tour these two plants, try to understand how various different inputs are used in each production process to produce different outputs. Connect theoretical concepts in the textbook reading with something you observe in the plant tour. If you were plant manager, how would you go about increasing output over a short time horizon? Over a longer time horizon? How difficult would it be to change the amounts of different inputs? How specialized are the human or physical capital inputs used in this particular production process? How much of the investment in plant and equipment is fixed and irreversible? Contrast the Toyota plant with auto manufacturing in an earlier era: Ford Model T’s: <http://www.youtube.com/watch?v=IXkx18dSXb4>  
1936 Chevrolets: <http://www.youtube.com/watch?v=VvAH-Yskyio&feature=related>

**Monday, June 26:** 9:00-11:30 a.m.

**Topics:** horizontal boundaries of the firm.

**Reading assignments:**

**Text:** BDSS, ch. 2: “The Horizontal Boundaries of the Firm: Economies of Scale and Scope.”

Where do economies of scale come from?

Definition of economies of scale

Definition of economies of scope

Where do scale economies come from?

Indivisibilities and the spreading of fixed costs

Inventories

The cube-square rule and the physical properties of production

Special sources of economies of scale and scope (skim the whole section)

Sources of diseconomies of scale (skim the whole section)

The learning curve

The concept of the learning curve

Expanding output to obtain a cost advantage

Learning and organization

The learning curve versus economies of scale

**Required Outside readings:**

“Power Pork: Corporations Begin to Turn Hog Business into an Assembly Line,” *WSJ*, 3/28/94: what happened to chicken production in the 1960s comes to pigs.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398373847?accountid=11836>

“Meet the World’s Largest Cargo Ships,” *WSJ*, 1/8/13: How do you think the widening of the Panama Canal is going to affect the supply chains of companies in the eastern U.S? <http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1266990140/13FBAE3E923680778EB/71?accountid=11836>

“Going to the Well: A Powerful Idea,” *Lexington Herald-Leader*, 7/4/11: do changes in technology always lead to an increase in MES? <http://bit.ly/nHKQQA>

### **Additional resources:**

YouTube: Economies of scale, <http://www.youtube.com/watch?v=68-vmWJQglo&feature=related>

YouTube: Specialization of capital and economies of scale, <http://www.youtube.com/watch?v=SXEsDq7JAMI> , or drive out Richmond Road and watch the production process in person while enjoying a cup of coffee.

More on pork production:

[http://www.soc.duke.edu/NC\\_GlobalEconomy/hog/value.shtml](http://www.soc.duke.edu/NC_GlobalEconomy/hog/value.shtml)

If you want to see a pork processing plant in action, try <http://www.youtube.com/watch?v=LsEbvWmipJI>

Electronics design company’s discussion of economies of scale: <http://airborn.com.au/method/volume.html>

### **Optional additional outside readings:**

“Subaru’s Got a Big Problem: It’s Selling Too Many Cars,” *WSJ*, 8/21/13: short-run diminishing returns can bite when plant size is too small. <http://search.proquest.com.ezproxy.uky.edu/docview/1426497632/D37A78AD1E014597PQ/73?accountid=11836>

“Boeing Struggles to Find Buyers for Early Version Dreamliners,” *WSJ*, 8/29/14: would you as an airline passenger like to be part of the learning process that Boeing workers go through? [http://online.wsj.com/articles/boeing-struggles-to-find-buyers-for-early-version-dreamliners-1409347948?mod=WSJ\\_hp\\_LEFTWhatsNewsCollection](http://online.wsj.com/articles/boeing-struggles-to-find-buyers-for-early-version-dreamliners-1409347948?mod=WSJ_hp_LEFTWhatsNewsCollection).

“Sharp’s New Plant Reinvents Japan Manufacturing Model,” *WSJ*, 11/30/09: there is a clear upside, but can you see a downside for suppliers who locate on site? Keep this in mind when we discuss asset specificity in the next section. <http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399128309?accountid=11836>

**Team assignment:** Meet with your Project Connect team to discuss your company’s production process and cost structure. What are the different inputs used to produce the company’s products? How easily can each of them be varied (short run vs. long run)? Are there economies of scale or scope? Is any of the capital fixed and irreversible?



**Wednesday, June 28: 9:00-11:30 a.m.**

**Topics:** vertical boundaries of the firm.

**Reading assignments:**

**Text:** BDSS, ch. 3: “The Vertical Boundaries of the Firm.”

Make vs. buy

Upstream, downstream

Defining boundaries

Some make-or-buy fallacies

Reasons to “buy”

Exploiting scale and learning economies

Reasons to “make”

Coordination of production flows through the vertical chain

Transactions costs

Relationship-specific assets

Rents and quasi-rents

The holdup problem

The holdup problem and transactions costs

Recap: from relationship-specific assets to transactions costs

Summarizing make-or-buy decisions: the make-or-buy decision tree

**Required Outside readings:**

“Made to Measure: Invisible Supplier Has Penney’s Shirts All Buttoned Up,” *WSJ*, 9/11/03: who is “outsourcing” to whom?

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398953831?accountid=11836>

“Bike Maker Faces a Tactical Shift,” *WSJ*, 10/28/98: think about the value chain in high-end bicycles, and how much value is added at each stage of production.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/398673631?accountid=11836>

“Companies More Prone to Go ‘Vertical,’” *WSJ*, 11/30/09: fads and trends vs. fundamental economic reasons whether to make or to buy.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399140920?accountid=11836>

**Additional resources:**

Wikipedia (!!!): [http://en.wikipedia.org/wiki/Vertical\\_integration](http://en.wikipedia.org/wiki/Vertical_integration)

The Economist: <http://www.economist.com/node/13396061>

Value chain charts from Google:

<https://www.google.com/search?q=value+chain+diagrams&tbm=isch&tbo=u&source=un>

[iv&sa=X&ved=0ahUKEwiH8NHrrJjUAhUIyoMKHdTQAvGQsAQIJQ&biw=1920&bih=974#imgsrc=E2Vo5VVzQ6psWM:](http://www.google.com/search?q=vertical+integration&hl=en&prmd=imvnsb&tbm=isch&fbo=u&source=univ&sa=X&ei=TLMSUNuzG4rX0QHfkIH0CA&sqi=2&ved=0CGkQsAQ&biw=1680&bih=907)

Vertical integration charts from Google:

<http://www.google.com/search?q=vertical+integration&hl=en&prmd=imvnsb&tbm=isch&fbo=u&source=univ&sa=X&ei=TLMSUNuzG4rX0QHfkIH0CA&sqi=2&ved=0CGkQsAQ&biw=1680&bih=907>

### **Optional additional outside readings:**

“Can Retailers Halt ‘Showrooming’?” *WSJ*, 4/11/12: vertical integration strategy and competing retailing venues.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/993081211/13873A78AD0545FDF99/74?accountid=11836>

and since we are so interested in Tempur Sealy’s fortunes, “Pillow Fight Inflicts Hard Blows,” *WSJ*, 1/31/17,

<http://search.proquest.com.ezproxy.uky.edu/docview/1862838009/150F15740FE74D80PQ/61?accountid=11836>

“Burger King Franchisees Can’t Have It Their Way,” *WSJ*, 1/21/10: franchising as an intermediate vertical strategy between arms’ length spot market transactions and complete vertical integration.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399142145/13873AA0B0474F2D72F/49?accountid=11836>

“Jet Blues: Boeing Scrambles to Repair Problems with New Plane,” *WSJ*, 12/7/07: outsourcing, its advantages, and its disadvantages.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399080708/13873AD6059625FF222/4?accountid=11836> and “Boeing Tightens Its Grip on Dreamliner

Production,” *WSJ*, 7/2/09,

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/399125788/13873AED4393B29D258/46?accountid=11836>

“Tyson Hatches a New China Strategy,” *WSJ*, 12/10/13: uncertainty and information asymmetry as reasons for vertical integration.

<http://ezproxy.uky.edu/login?url=http://search.proquest.com/docview/1466378730/35212C2760384ABCPQ/70?accountid=11836>

**Team assignment:** Meet with your Project Connect team to discuss the vertical structure of production in your industry. Who are your upstream suppliers, i.e. what inputs are used in your production process and how are they acquired? Downstream customers? What is the nature of the relationship between you and upstream and downstream entities? Vertical integration? Arms-length spot market transactions? Something in between? Keep this discussion in mind later in the MBA program when you take up supply chain management.

## Alternative Resources for the Textbook Readings:

**Textbook assignment:** BSZ, ch. 3, “Markets, Organizations, and the Role of Knowledge.”

Investopedia:

Basics of supply and demand,

<http://www.investopedia.com/university/economics/economics3.asp#axzz2114HK4Fc>

Khan Academy:

Law of demand, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/law-of-demand>

Shifts in demand, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/change-in-expected-future-prices-and-demand>, and <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/changes-in-income--population--or-preferences>

Normal and inferior goods, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/normal-and-inferior-goods>, and <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/inferior-goods-clarification>

Law of supply, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/supply-curve-tutorial/v/law-of-supply>

Shifts in supply, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/supply-curve-tutorial/v/factors-affecting-supply>

Market equilibrium, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/market-equilibrium-tutorial/v/market-equilibrium>

Changes in market equilibrium, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/market-equilibrium-tutorial/v/changes-in-market-equilibrium>

**Textbook assignment:** BSZ, ch. 4: “Demand.”

Khan Academy:

Law of demand, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/law-of-demand>

Shifts in demand, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/change-in-expected-future-prices-and-demand>, and <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/changes-in-income--population--or-preferences>

Normal and inferior goods, <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/normal-and-inferior-goods>, and <http://www.khanacademy.org/science/microeconomics/supply-demand-equilibrium/demand-curve-tutorial/v/inferior-goods-clarification>

Own-price elasticity of demand,

<http://www.khanacademy.org/science/microeconomics/elasticity-tutorial/price-elasticity-tutorial/v/price-elasticity-of-demand>,

<http://www.khanacademy.org/science/microeconomics/elasticity-tutorial/price-elasticity-tutorial/v/more-on-elasticity-of-demand>, and

<http://www.khanacademy.org/science/microeconomics/elasticity-tutorial/price-elasticity-tutorial/v/perfect-inelasticity-and-perfect-elasticity-of-demand>,

Elasticity and total revenue, <http://www.khanacademy.org/science/microeconomics/elasticity-tutorial/price-elasticity-tutorial/v/total-revenue-and-elasticity>, and

<http://www.khanacademy.org/science/microeconomics/elasticity-tutorial/price-elasticity-tutorial/v/more-on-total-revenue-and-elasticity>

Cross-price elasticity, <http://www.khanacademy.org/science/microeconomics/elasticity-tutorial/price-elasticity-tutorial/v/cross-elasticity-of-demand>

Investopedia:

Elasticity, <http://www.investopedia.com/university/economics/economics4.asp#axzz2114HK4Fc>

**Textbook assignment:** BSZ, ch. 5: “Production and cost.”

Inflate your mind:

Implicit and explicit costs,

[http://www.inflateyourmind.com/index.php?option=com\\_content&view=article&id=111:section-3-united-states-federal-government-expenditures&catid=15:unit-5&Itemid=142](http://www.inflateyourmind.com/index.php?option=com_content&view=article&id=111:section-3-united-states-federal-government-expenditures&catid=15:unit-5&Itemid=142)

Economic profit,

[http://www.inflateyourmind.com/index.php?option=com\\_content&view=article&id=112&Itemid=143](http://www.inflateyourmind.com/index.php?option=com_content&view=article&id=112&Itemid=143)

Production functions and short-run diminishing returns,

[http://www.inflateyourmind.com/index.php?option=com\\_content&view=article&id=106:section-3-united-states-federal-government-expenditures&catid=14:unit-4&Itemid=136](http://www.inflateyourmind.com/index.php?option=com_content&view=article&id=106:section-3-united-states-federal-government-expenditures&catid=14:unit-4&Itemid=136)

Production and costs,

[http://www.inflateyourmind.com/index.php?option=com\\_content&view=article&id=107:section-3-united-states-federal-government-expenditures&catid=14:unit-4&Itemid=137](http://www.inflateyourmind.com/index.php?option=com_content&view=article&id=107:section-3-united-states-federal-government-expenditures&catid=14:unit-4&Itemid=137)

Total and per unit costs,

[http://www.inflateyourmind.com/index.php?option=com\\_content&view=article&id=113&Itemid=144](http://www.inflateyourmind.com/index.php?option=com_content&view=article&id=113&Itemid=144)

Short-run and long-run cost relationships,

[http://www.inflateyourmind.com/index.php?option=com\\_content&view=article&id=114&Itemid=145](http://www.inflateyourmind.com/index.php?option=com_content&view=article&id=114&Itemid=145),

[http://www.inflateyourmind.com/index.php?option=com\\_content&view=article&id=115&Itemid=146](http://www.inflateyourmind.com/index.php?option=com_content&view=article&id=115&Itemid=146), and

[http://www.inflateyourmind.com/index.php?option=com\\_content&view=article&id=116&Itemid=147](http://www.inflateyourmind.com/index.php?option=com_content&view=article&id=116&Itemid=147)

Khan Academy:

Marginal product of labor, <http://www.khanacademy.org/science/microeconomics/firm-economic-profit/labor-marginal-product-rev/v/a-firm-s-marginal-product-revenue-curve>

Average and marginal costs, <http://www.khanacademy.org/science/microeconomics/firm-economic-profit/average-costs-margin-rev/v/marginal-cost-and-average-total-cost> , and

<http://www.khanacademy.org/science/microeconomics/firm-economic-profit/average-costs-tutorial/v/fixe--variable--and-marginal-cost>

**Textbook assignment:** BDSS, ch. 2: “The Horizontal Boundaries of the Firm: Economies of Scale”

The only decent alternative to the text that I have found is

BizEd on economies of scale (click on the power point slide presentation):

<http://www.bized.co.uk/educators/16-19/economics/firms/lesson/scale.htm>

and this power-point presentation: <https://www.slideshare.net/EricaLukas/the-horizontal-boundaries-of-the-firm>

**Textbook assignment:** BDSS, ch. 3: “The Vertical Boundaries of the Firm.”

Two power-point presentations based on the above textbook reading are:

<http://www.slideshare.net/Annie05/the-vertical-boundaries-of-the-firm-presentation-684027>, and

[https://www.slideshare.net/EricaLukas/the-vertical-boundaries-of-the-firm?next\\_slideshow=1](https://www.slideshare.net/EricaLukas/the-vertical-boundaries-of-the-firm?next_slideshow=1)