**Ashford 2: - Week 1 - Instructor Guidance**

**ECO 204 – Week 1 Guidance**

I am happy to see you have successfully journeyed through the maze of our classroom and found the week one guidance!  If you are new to online education please continue to check out all the areas of the class by clicking on all of the different links (They don’t bite!). The more you familiarize yourself with the classroom, the more comfortable you will become with it. Remember to view this area at the beginning of each week since it should help prepare you for the week.

Have you posted your Introduction in the Discussion Board yet???  If not, please post this by the end of Day 1.  I can’t wait to learn more about you! You will find the Discussion Board in the Communication link.  Remember to also post any questions you might have in the Questions and Concerns section of the Discussion Board.

Here is a  [PDF](http://vizedhtmlcontent.next.ecollege.com/pub/content/b93d2f06-e102-446f-9493-ef670d2aab90/ECO_204___Guidance_Week_01.pdf)of this Text and a  [PowerPoint Presentation](http://vizedhtmlcontent.next.ecollege.com/pub/content/df4dd50c-b76e-456b-babf-f6a57eb1b0a2/ECO_204___Guidance_Week_01PP.pdf) for easier to read formats. I recommend downloading and reading both. You will need a PDF reader installed on your computer. If you do not have one, Adobe Reader is the most common and can be downloaded for free here: <http://get.adobe.com/reader/>

**Here is a brief summary of what is due in Week 1**

Due by Day 1 - Tuesday

◊ Introduction post in the Discussion Board

Due by Day 3 - Thursday

◊ Discussion Board post “Circular Flow Diagram” (Remember to also respond to your classmates’ posts.  This is where we get to learn from one another!)

◊ Discussion Board post “Supply and Demand”

Due by Day 6 - Sunday

◊ Week 1 Quiz - The Quiz is 10 questions

NEWS FLASH\*\*\*\* Do not wait until the last day to begin your assignments \*\*\*\* NEWS FLASH

So without further ado…………

**The Scope and Method of Economics**

The Course starts out with some of the most important economic principals in economic theory – Opportunity Costs and Sunk Costs:

Before we get to these terms, let’s discuss Scarcity. This simply means there are limited resources. Oil, corn, money, and time are just a few examples of this. Opportunity Costs arise due to scarcity. An Opportunity Cost of something is whatever must be given up to obtain it. For example, you can go to a baseball game or the movies, but you cannot do both at the same time. In fact, everything you give up by going to one of these events is the opportunity cost. Shopping, working, going to the beach, spending time with loved ones are all opportunity costs. From an economist’s perspective, virtually everything has a cost due to opportunity costs. Even a free day at the beach has opportunity costs.

A Sunk Costs is a cost that has already been incurred so cannot be avoided. Due to this, they should not be used when evaluating alternative choices. For example, if you already purchased tickets to an outdoor concert and are considering going or not due to the bad weather, the original costs of the tickets should not influence your decision. This is a sunk cost you cannot get this back. Only alternative choices should be considered (e.g. opportunity costs) in your analysis. For instance, would you rather spend your time at the mall as opposed to getting soaked at the concert? Some will not mind if they like concerts enough or the particular band, but again, the original amount spent on the tickets do not matter as this is a sunk cost

The Scope of Economics:

The text does a good job in describing the scope and different fields of economics. Even if you do not want to go into this field (as I am sure is the case for many of you) the subject touches everyone’s lives on a daily basis. Understanding economic principles will give you a better understanding of political, business, and personal decisions. Things like the minimum wage, trade, and competition effect all of us and this course should give you a better idea of why such decisions are made and the economics behind it.

A quick note on Ethics – This class will use economic principles the evaluate theories and concepts. Ethics will often not be included in this analysis, and because of this, the economic correct answer is not always the “right” one for society. For example, it might make economic sense for a company to pollute more than is in the best interest society so keep this in mind throughout the course. We will discuss more about this throughout the course.

**Scarcity and Choice**

Factors of Production:

 - Land

 - Labor

 - Capitol

These are the inputs used to add value and create outputs. Simply think of any business and how they produce something you end up using. They take the factors of production and create something of value to consumers.

The Theory of Competitive Advantage

Pay special attention to this theory explained in detail in the text. It explains how society benefits from trade even if one trade partner is more efficient than the other. This is why most economists are for free trade (keep in mind that free trade means entirely free and not only free on one side of the trade as we see all too often)

Production Possibility Frontier

Here is the first, and simplest of the charts we will be looking at throughout the course. As I mentioned earlier, it is important to get a good understanding of these charts.

**Demand, Supply, and Market Equilibrium**

Demand:

Quantity Demanded – The amount of a good that buyers are willing and able to purchase

Demand Schedule – A table showing the demand for a specified price. This is typically used to build a demand curve.

Demand Curve – The same data in the schedule, but illustrated graphically. Please note the shape of the curve and why it is shaped this way. It makes sense if you think about it. The higher the cost something is, the less people want it (e.g. demand it). This gives us the law of demand.

Law of Demand – This is the negative relationship between demand and price. As price rises demand falls, and as price decreases demand rises.

Shift in the demand curve vs. movement along the demand curve:

Please note the difference between the two!

Shift in the demand curve is an actual change in demand caused by:

-        Change in income

-        Change in preferences

-        Change in prices of other goods/services

Movement along the demand curve is a change in the quantity demanded

This is caused by an actual change in the price of the good/service

Supply:

Quantity Supplied – The amount of a good that sellers are willing and able to sell

Supply Schedule – A table showing the supply for a specified price. This is typically used to build a supply curve.

Supply Curve – The same data in the schedule, but illustrated graphically. Please note the shape of the curve and why it is shaped this way. It makes sense if you think about it. The higher the price something can be sold for, the more the sellers will be willing and able to sell it (e.g. supply it). This gives us the law of supply.

Law of Supply – This is the positive relationship between demand and price. As price rises the supply also increases, and as price decreases supply also declines.

Shift in the supply curve vs. movement along the supply curve:

Again, note the difference between the two!

Shift in the supply curve is an actual change in supply caused by:

-        Change in costs

-        Change in input prices

-        Changes in technology

-        Change in prices of other goods/services

Movement along the supply curve is a change in the quantity supplied

This is caused by an actual change in the price of the good/service

Market Equilibrium

This is where supply and demand meet. When we are not at the equilibrium point, the market is inefficient.

Complements and Substitutes:

These are two important concepts so make sure to understand them well. For example, what happens to the price of a good when a complement’s price increases? Decreases? What about a substitute?

**Behavioral Economics**

Behavioral Economics is touched on this week and has been a trend in economics of the past few decades. It can be thought of as a combination of Psychology and Economics. Keep in mind throughout the course that ultimately economics is a social science.

The big contribution from Behavioral Economics is the concept that people do not always acting rationally (as classical economics assumes). This assumption allows classical economists make many important theories and models, but is not always a realistic assumption. Both areas add understanding to the larger field of economics

For those interested in Behavioral Economics (perhaps psychology/sociology majors can consider a duel major or minor in economics if this is also an interest) here is the Wikipedia Site:

<http://en.wikipedia.org/wiki/Behavioral_economics>

(Remember, Wikipedia is a great starting place for information, but should not be used in college writing)

There is a lot of information this week so please spend enough time in reviewing the material and ask me if you have any questions!

Good Luck!

References

Amacher, R., & Pate, J. (2013). *Microeconomics principles and policies*. San Diego, CA: Bridgepoint Education, Inc.

(Please note that proper APA was not used for this guidance)