Name:

Economics Reading Guide

Pages 15 – 29 – Due Friday , August 22th

10 points

**Terms:**

Market barriers widgets patent tariff quota

Network effect long run market price price discrimination

Sweatshops Globalization Bounded rationality rational addiction

rules of thumb

**Central Ideas:**

1. What are the problems with market barriers? (15-16)
2. What is the connection between market price and supply and demand? (17-18)

1. Explain how airlines use price discrimination? (18-19)
2. Briefly explain each of the qualities of a market economy:
   * The market economy is a powerful force for making lives better. (20)
   * At the same time, the market is amoral. (20-21)
   * Our system uses prices to allocate scarce resources. (22)
   * Because we use price to allocate goods, most markets are self-correcting. (22-23)
   * If we fix prices in a market system, private firms will find some other way to compete.

(23-24)

* + Every market transaction makes all parties better off. (24-25)

1. Discuss the role of behavioral economics – including the idea of “strict rationality.” (25-26)
2. Explain a few of the examples the author uses in showing that we don’t always act rationally.

(26-28)

1. What does the author have to say about whether a market economy is a “good” economic system?

(28-29)