

Mr. Yamada's Tips for Success on Current Events Commentary #1: Fundamentals of Microeconomics

Step 1: Find an article related to the sale of a particular good or service

The best articles are about products that you personally have an interest in purchasing. You will have a stronger intuition about the demand for such products, which will help you make educated guesses about directions the market will take in the future. Avoid articles about financial or monetary instruments such as stocks, bonds, currencies, precious metals, etc. Also avoid macroeconomic topics such as inflation, unemployment, money supply, GDP or economic growth. The key here is *microeconomics*.

Try to go beyond the current issue of the *Register Guard*. Your work will stand out more if you find an article that no one else has. You may go back in time more than a few weeks when selecting your article. (See the C.E. packet for acceptable dates.) This should give you more options. Also, check with your school librarian about current events databases such as INFOTRAC and EBSCO. These resources will allow you to keyword search for specific products or terms such as “price.”

Make sure to neatly paste your article onto a sheet of 8-1/2” X 11” paper if you clip it from a newspaper and make a couple of copies.

Step 2: Assess the facts presented in the article and highlight key sections

Make notes for yourself about important economic changes described in the article. Is the price of the product increasing or decreasing? Is the quantity of the product sold increasing or decreasing? Are there clues about changing public tastes for the product or about changing input prices? Do buyers and sellers expect sales to change some time in the future? These are just a few of the important factors to consider. Highlight any information in your article that is pertinent to these questions.

Step 3: Create and explain 2-3 diagrams that describe your article

Option A: Supply and demand diagram

Start off with a clear label above the graph that includes the product and the market in which it is sold. For example, your label might read “Figure 1: Market for organic baby food in California.” Your paper may eventually be graded by someone on the other side of the world, so it is important to not assume the reader knows you are talking about the Eugene market, the Oregon market, or even the U.S. market.

Based on your knowledge of microeconomics, determine if the changes described in the article are best explained by a demand curve shift, a supply curve shift, or both. Illustrate the shifting curve(s) and the movement to a new equilibrium on a supply and demand diagram. (Remember that a shift in both curves will result in a price or quantity change that is ambiguous.) Be sure to include any necessary arrows or dashed lines and properly label all points and curves (S₁, S₂, D₁, D₂, E₁, E₂, P₁, P₂, Q₁, Q₂, etc.).

You may choose to begin your written commentary with a brief introductory paragraph that summarizes the content of your article. If space is short, however, you may jump right into a paragraph explaining your first graph. Describe in detail the changes illustrated in your diagram. What happens to each curve? Is there a movement or a shift? How does equilibrium change? Most importantly, does price increase or decrease? Does the equilibrium quantity increase or decrease?

You could also consider how changes in the market for a product discussed in your article could affect related markets for complementary or substitute goods and graph these separate markets.

Option B: Production Possibilities Curve

Are there two substitute goods discussed in the article? You could potentially draw supply and demand curves for each, as well as a PPC curve illustrating the changing production priorities.

Option C: Elastic or inelastic demand or supply curve

You could show a demand or supply curve on its own if you are making a point about the elasticity of the curve.

Step 4: Evaluate the situation using the guidelines on page 382 of your textbook

Who are the winners and the losers from the developments described in the article? See if you can identify them. Also, consider the accuracy of the theories you have used. Let's say you are sure that supply is shifting to the right, thus reducing the price of the product, in theory. But you are skeptical that the price would *actually* drop in real life. Or let's say you are sure the demand for a product increases, thus increasing the price, in theory. But you think the sellers would be reluctant to raise prices for fear of losing sales to the competition. Explain your doubts and do your best to justify them with evidence from the article. Economics is about making theories, or models, to describe reality, but they are not perfect. You score points if you can accurately shoot holes in the theories.

Weave your evaluation of the theories throughout the commentary; don't just plop it in a single paragraph at the end.

Last thoughts

Remember to adhere strictly to the formatting requirements set out in your projects packet and define five (5) relevant terms. Put the terms in **bold** letters. Some useful concepts to define for this paper include, but are not necessarily limited to, the following: quantity supplied, quantity demanded, equilibrium price and quantity, substitute good, and complementary good.