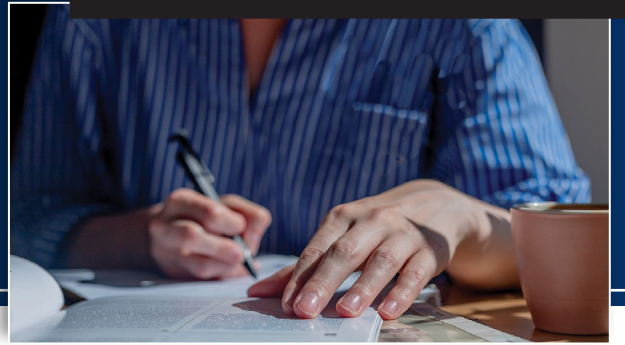


Back to the Classroom

Are you smarter than a University of Chicago undergraduate?

BY ALLEN R. SANDERSON



As college students and their parents gear up for another one, and professors dust off and update last year's lecture notes, maybe some warm-up exercises might get us all into the mood to augment our human capital. Below are two dozen questions I asked 900 students on examinations in my principles of economics courses at UChicago during the 2021-22 academic year.

Have fun! (If you want to know how you did, feel free to contact me: arsx@uchicago.edu)

1. What do we mean when a nation is running an "unfavorable balance of trade"? What's the origin—and the logic—of the term? And what's so unfavorable about it?
2. A few restaurants have experimented with "pay-what-you-want" pricing. Patrons are supposed to decide what their meal is worth—"All we ask is that you put a fair price on the food you eat, based on your income" said one establishment—"and drop your money into a box as you leave." Discuss the economics of this pricing scheme, and also why these eateries are usually known as "former restaurants."
3. All politicians promise to eliminate waste, fraud and corruption. Not long ago a federal audit showed that the year before the Social Security Administration paid almost \$47 million in benefits to people who were dead. The same thing happened with covid-19 "stimulus checks" in 2020. How would an economist think about the optimal amount or number of such errors?
4. Why are most marathon races in major American cities run on Sunday mornings?
5. Explain this *Chicago Tribune* headline: "Weak euro gives U.S. companies fiscal indigestion." And this one from *The New York Times*: "Strong yen is dividing generations in Japan."
6. "Pharmaceutical companies profit from the misery of others." Compare this quotation from Garth Stein's *The Art of Racing in the Rain* (2008, page 148) with how Adam Smith, David Ricardo, or Milton Friedman might have phrased it.
7. "The reasons someone cannot get a job are similar to why someone cannot get a date." Explain.
8. Suppose that Federal Reserve chairman Jerome Powell told you—and no one else—that the Fed was going to decrease interest rates when it next meets. How could you profit personally from that information (before you and he went to prison)?
9. What bothers Mr. Sanderson the most when it comes to our continuing trillion-dollar government budget deficits and our \$30 trillion national debt?
10. In some countries—Switzerland, Norway—a motorist apprehended for speeding is subject to a fine that amounts to one month's income. How would you describe that 'tax'?
11. "Economists generally agree that observed differences in average wages do not by themselves provide conclusive evidence about the magnitude of discrimination in labor markets." Discuss.
12. The U.S. continues to run substantial trade deficits with China. Why is that? Explain it as politicians whine about it **and** as economists probably view it.
13. Why do some restaurants offer free refills on coffee and soda?
14. One hundred years ago, for the U.S. imports were about 5% of our GDP; the ratio was still about the same 50 years ago. But today it's about 15%. What accounts for that change?
15. Some frowned-upon alleged business practices include dynamic pricing, predatory pricing, mergers, tying arrangements, price fixing, price discrimination, and resale price maintenance agreements. Discuss two of these as seen through the eyes of most economists.
16. There are two popular "Outlet Malls" in the greater Chicagoland area, where retailers offer discounts on name-brand merchandise. One is in Aurora, about 40 miles to the west; the other is in Michigan City, Indiana, about 40 miles east. Why don't we see these popular groupings of stores located closer to downtown Chicago, even on North Michigan Avenue or in the Loop?
17. Comment on this headline and story from *The Chronicle of Higher Education*: "STEM Graduates Likelier to Have Jobs, but Most Don't Work in STEM Fields." ("STEM" stands for science, technology, engineering, or mathematics.) The article went on to say that 75% of STEM majors don't actually work in one of those areas.
18. Distinguish briefly but clearly between these two terms: (a) poverty and (b) inequality.
19. How do "Buy American" campaigns affect U.S. trade balances and the U.S. standard of living? ?
20. Why do front-office jobs – marketing, ticket sales—with the Chicago Cubs and other professional sports franchises pay so poorly?
21. Explain this *The Wall Street Journal* headline: "Adele's Sales Buoy Other Artists, Too."
22. A *conscientious objector* is an individual who has claimed the right to "refuse to perform military service on the grounds of freedom of thought, conscientious, disability, and/or religion." How would an economist describe this person?
23. A mugger accosts you on the street, brandishing a gun, and says: "Give me all your money." You, being a nerdy University of Chicago student, might be tempted to expand upon this perp's request by explaining that . . . Complete and explain..
24. Canada Goose parkas (ubiquitous on this campus) have an income elasticity of about 4.0. What would happen to their sales if the U.S. fell into a recession in the fall, resulting in a higher unemployment rate and a fall in per capita incomes of about 3 percent for the year? Diagram and explain." □