

## Wall Street Journal Articles and Related Practice Questions

### Week 2

\*\*\*\*\*

This handout contains some suggested Wall Street Journal articles that you should read and gives some related practice questions connected with the article that should help you for the upcoming midterm. You can access these either from the paper copy or online.

**1) April 10, 2001, p. B1 (Marketplace). “Apparel Makers Fund New Labor Group To Inspect Factories, Screen for Sweatshops.”** (The online version of the article also directs you to related articles on this issue in previous editions of the WSJ)

#### Related questions

- A) What was the opportunity cost of the University of Oregon joining the Worker’s Rights Consortium (WRC)?
- B) In the later decision by the University of Oregon to drop their membership with the WRC, do you think the University thought the lost \$30 million donation by Phil Knight from the original decision was fully a sunk cost?
- C) Draw the market for Nike shoes and analyze how these events can affect the equilibrium price and quantity of Nike shoes.
- D) If Nike were to stop using factories in less-developed countries, what would happen to the labor markets in those countries and, particularly, wages in those countries?

**2) April 11, 2001, p. B4. “Theme Parks Rely on Their Role as Affordable Vacation Option.”**

- A) Which types of parks are hurt more by a recession: regional or destination theme parks? Explain how this relates to the income elasticity of demand for each service.
- B) Are these theme parks normal or inferior goods? Explain.
- C) Would you guess that the cross price elasticity of demand between regional and destination theme parks is positive or negative? Explain why.

**3) April 9, 2001, p. R1. “Don’t Play Favorites: Seven Reasons to Index.”**

- A) What are index funds and how do they differ from other types of mutual funds?
- B) Explain how the efficient markets hypothesis is consistent with the rationale for why an investor should just put money into index funds.
- C) Why are index funds cheaper than trying to play favorites?