

## Wall Street Journal Articles and Related Practice Questions

### Week 5

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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) May 27, 2001, p. A1. “New Economists Tackle Social Issues With Math Models”**

##### Related questions

- A) How is the new research in economics different from the “old” research?
- B) What is Steve Leavitt’s controversial reason he finds for why crime rates have fallen in the 1990s?
- C) In the final quote by Steve Leavitt, he’s making a statement about positive versus normative economics. Which side does he (and most economists) want to be on?

#### **2) May 1, 2001, p. A1. “Tobacco Deal Has Unintended Effect: New Cheap Smokes”**

##### Related questions

- A) Are the costs the tobacco firms have to pay to states over the next 25 years a fixed or variable cost? In general, do you think the cost of cigarettes largely reflect variable costs or fixed costs?
- B) If one thinks of the established cigarette brands as one product and the smaller brands as another product, how could one determine from the article what the cross-price elasticity of demand is between these two products?
- C) Given the information in the article, do you think that the demand for cigarettes in general is elastic or inelastic? Explain.
- D) In what respects does the cigarette market act like a perfectly competitive market? How do the recent developments relate to long-run equilibrium in the market?