

CS-103 Announcements

- HW9 due 9pm Mon Nov 20
- Instead of lab quiz, there will be project
 - **Week of Nov 27:** Explore JavaScript libraries, practice importing a module into your website, and bookmark your favorite modules.
 - **Week of Dec 4:** Based on classmate recommendations, choose a JavaScript module and use it in your own website.

CS-103 Announcements

- In-class quiz Dec 1
 - Lectures 10/30 – 11/27 (except 11/1)
 - 5% of total class grade
- Grade summary sheets available after class

Extra Credit Project

- *BU Today* is launching “best blog @ BU” contest
- Open to students, faculty, staff
- They are looking for marketing advice: how to get the word out to the BU community

Six Degrees Ch 7

Decisions, Delusions, and Madness of Crowds

- Economic bubbles
 - Tulip Economics, Holland, 1630s
 - Dot-com, USA, 1990s

Speculators vs Value Investors

- Compare and contrast
 - Speculator
 - Value Investor
- Economic bubbles driven by *speculators*
- Economic theory “proves” that *value investors* beat *speculators* over long term
 - Why?

Economics and rationality

- Why do economic bubbles keep happening?
- Classical economic theory rests on individual behavior that is
 - Selfish
 - Rational
- How does behavior of other people factor into this theory?

Collective Decisions

- Classical economic theory rests on individual behavior that is
 - Selfish
 - Rational
- Actual individual behavior also depends on *what other people are doing*
 - This makes sense in world where we can't possibly process all available information
 - Looking at everyone else's decisions provides easy substitute for individual "rationality"

Externalities

- Whenever a person's economic activity is affected by anything outside of the transaction itself, economists call it an ***externality***
- We'll look at four kinds of externalities
 - ***Information***
 - ***Coercive***
 - ***Market***
 - ***Coordination***

Information Externality

- Which of 3 lines on right is closest in length to line on left?



A

B

C

Coercive Externality

- Peer pressure
- Spiral of silence: prior to national election, holders of perceived majority opinion grow more vocal at expense of perceived minority opinion
- This happens regardless of actual majority vs minority split
- Result of election predicted not by who people support but by who they expect will win

Information vs Coercive

- How are information vs coercive externalities similar, different?

Market externalities

- The value and/or usefulness of a product may depend on how many other people acquire it
 - Fax machine

HW10

Join the collective grade growth fund for CS-103 and double your grade with this fail-proof technique:

- You may donate 0 to 200 cents to the collective pool.
- Each cent you donate to the pool results in 0.01 of a point **subtracted** from your grade on HW10.
- Points will be **added** to your HW10 grade depending on the collective donations of other fund participants as follows:
 - Total cents donated to the collective pool will be tallied **9pm Tue Nov 28**
 - Divide total cents by 100 to obtain total points
 - Divide total points by number of students participating in pool to obtain avg pts
 - **Double** average points to obtain **RPP** = returned points per participant
- Each student who participated in the collective pool (**regardless of amount donated**) will be awarded **RPP** points as part of their score for HW10