**Preparation for Discussion hour activity week 2 (Opportunity costs and comparative advantage)**

The discussion hours for week 2 (September 23 – September 28) will include two activities. In the first part of the discussion hours you will be completing an in-class exercise on opportunity costs and comparative advantage, from which you will get a quiz grade. So you should read the topics before you attend your discussion hours next week.

During the second part of the discussion hours you will be asked to discuss the below article in light of the questions listed at the end of the article. You should read the article entitled “Never Mind the Clip-On Ties, Geek Squad Can Fix Your PC” and prepare short written answers for the following five questions. Your discussion leaders will collect your typed up answers and you will be asked to verbally discuss these answers in class. Your typed up answers should be at most 2 pages, double spaced, enough margins and 12 fonts.

*Never Mind the Clip-On Ties, Geek Squad Can Fix Your PC*

*By DAMON DARLIN*

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*Allen Brisson-Smith for The New York Times*

So it may have seemed a bit odd to interview him at the recent Maker Faire in San Mateo, Calif., a weekend festival of technology tinkerers who play polo on Segways or build steam-engine robots and pool heaters out of barbecue grills. These people, after all, are ardent do-it-yourselfers, people who derive real joy from never ever having to hire help.

"The do-it-yourself crowd is a dying breed," Mr. Stephens said as blasts from a nearby flamethrower mounted on an old fire truck periodically punctuated the conversation. He wasn’t being nasty, because his technicians were at the ready to support the fair exhibitors just in case. He made that statement because it explains why the company he founded as a college student in 1994 has grown and grown.

When he sold the Geek Squad to Best Buy in 2002, his computer repair company had 60 employees, or agents. Today, it has 12,000 men and women dressed in black pants, white shirts, a black clip-on tie and white socks who arrive at customers' homes in black and white Volkswagen Beetles.

The conversation with Mr. Stephens, who is chief inspector of the Geek Squad for Best Buy, helps to explain the success and, indeed, the proliferation of services that do what most Americans are unwilling to do themselves. It is not confined to oil changes, maid service or hiring a gardener or handyman. Almost every time you buy electronics you are offered a service contract either by the manufacturer or the retailer.
Beyond service contracts, though, consumers need some insight into how to be smarter about deciding when to call for help. It all boils down to the classic choice between time and money.

Sure, one can point to another giant of retailing, Home Depot, and argue that there is better evidence that the do-it-yourself trend is strong. Mr. Stephens has economics on his side. Economists say people who call in a technician, even one who will charge, as the Geek Squad does, $159 to install a wireless network or $229 to wipe out a computer virus, can be acting rationally. These tasks may not be worth your time. Indeed, Home Depot has hedged its bets and is increasingly marketing its installation services for contractors to hang your kitchen cabinets or roof your garage.

Economists say industrialized societies are spending less on the basics of life — food, clothing and shelter — and more on leisure pursuits. Indeed, Robert Fogel, the Nobel-winning economics professor from the University of Chicago, has gone so far as to predict that by 2040 it will take the average American household only 300 hours of work a year to supply its basic needs.

As leisure time becomes more valued, Americans are loath to give it up. We spend money to get more of it. How much we are willing to spend depends on what we make as well as a more intuitive process of how we measure what our leisure time is worth.

The results from two online calculators that determine what your time is worth may surprise you. Try http://hughchou.org/calc/realwage.php or http://moneycentral.msn.com/investor/calcs/n_time/main.asp. First, your hourly rate may be lower than you think. For instance, someone making $70,000 a year, but who puts in 50 hours a week and commutes an hour each way, may discover the hourly rate is not $33, but about half that.

So does that mean you hire a handyman only when he costs less than $16 an hour? It's more complicated than that. With only about 12 hours of true leisure time a day, each precious hour is bought with more than 5 hours of work. According to the calculator, each hour of spare time would then be worth about $85.

How an economist measures the value of leisure time is inexact because do-it-yourselfers sometimes have a stronger motivation than saving money. They enjoy the process. Because seeking joy is less understood than seeking money, economists are still struggling to decide whether growing tomatoes or making drapes is rational.

Putting a little joy into repair work is what motivated Mr. Stephens. "Computers were the best thing that happened to my generation," said Mr. Stephens, 37. As a student at the University of Minnesota in the early 1990’s, Mr. Stephens said he didn’t have a lot of money. "So I started fixing things. I saw people buying computers, so that’s why I went into tech support."

He had yearned to do something glamorous until he had an insight: "The world is dominated by plumbers and drywall contractors — the boring businesses," he said. "What if a creative person went into a boring business?" By age 24, he had created the Geek Squad.

"The best thing that happened to me was that I had no money," he said. It forced him to be creative. The uniform, which pokes fun at the image of the socially awkward tech-proficient person, was a way to establish a brand and concept that would be harder for others to copy. "I wanted it to look low-tech, like the guy at the service station, Ernie, who you knew all your life."

The flat fee for services, rather than an hourly rate, was an effort to avoid the expense of paperwork and monitoring the staff for fraud.
Mr. Stephens sees the world of service moving toward flat fees. "We are a flat-rate society because people are willing to pay for simplification," he said.

It is easier for consumers to understand and they are less likely to feel cheated, he said. "People hate the hourly rate. They hated it when it applied to cell phones and Internet service."

Not all on-call technicians work that way. Rescuecom, a franchise of computer technicians with 100 offices nationwide, charges hourly rates between $88 for an appointment and $250 for an emergency call. "Support is in an abysmal state," said David A. Milman, the chief executive and founder. "You have manufacturers slicing and dicing the price of computers. There is no way they can afford to provide free support."

Both Dell and Hewlett-Packard, the top PC sellers, provide enhanced customer support for a fee. Dell, for instance, will walk you through setting up a home network for $99.

Mr. Milman said he thought consumers ought to make the decision to seek professional help not on the value of their time, but on the value of the data that is on their computer.

The Geek Squad divides the world into three distinct sets of consumers. One is, of course, the do-it-yourselfers. Another is the "do it for me" crowd, those who have made the calculation that they have better use of their time. And the third set, which Mr. Stephens calls the "I thought I could do myselfers," holds some unrecognized potential.

This is the group that starts out calling customer service when faced with a technical stumbling block, only to find themselves sitting on the phone, immobile, for several hours as the problem is lobbed from one call center employee to another. After that, he said, they are more willing to consider an alternative. "They've sat on the phone one time too many," Mr. Stephens said.

Many of the hardware makers offer service contracts, because they are quite lucrative. But they are lucrative only if they can avoid sending someone to your home to fix the problem. They are designed so you end up paying extra — with your time.

That's not to say that a flat-fee service isn't also designed to help you part with your money. Mr. Stephens the Geek Squad, as part of Best Buy, turning into consultants who advise Best Buy customers on products before buying. He said that's going to become more important as Americans try to figure out how to expand home networks to link the television, PC, stereo and storage devices. "You'll see Best Buy pushing installation services," he said. "For me, service is nothing but a profit center."

And what if, by some miracle, technology becomes easier to use? No worries, he said. "The easier computers got, the more they needed us when they crash." That's because people did more things with their computers and sought help to do even more.

"Sure you can do it yourself, but it is a lot like changing your oil," he said. "Why would you?"

**Reading Questions (for which you should prepare typed up answers to be turned in during discussion hours):**

1. Give three examples of services in Turkey that the average person could “do-it-yourself” but that people commonly pay others to do.
2. Why should industrialized societies pay more for the services of technicians?
3. Which people should use the Geek Squad? Are there people, with computing problems, that should not use the Geek Squad?
4. Why do top computer manufacturers provide enhanced customer support for a fee and not include it in a product warranty?
5. Why is Mr. Stephens so confident of the prospects of his business when he faces more user-friendly computers?