**Econ. 110: Principles of Microeconomics**

**California State University Channel Islands**

Spring 2014

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**Spring 2014 Office Hours:**

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**Course Description:**

This course applies economic reasoning to the decisions of both consumers and producers and examines the consequences of those decisions for society as a whole.

The main objective of the course is to help you understand the rationale of economic decision makings by the individual and the firm and to understand how the market operates. Complex economic relations will be synthesized into simple and manageable economic models. The organization of markets and its implications for firm behavior are also examined. Then, real world examples and current issues are used to explain the theory. Moreover, the process by which these markets reach equilibrium is explored. Finally, it will be established that government involvement and intervention in the market are legitimized only when the market fails to function efficiently on its own.

**About This Course**

Economics is an important subject. Those who master the theoretical knowledge of the discipline are able to wield a powerful set of tools capable of affecting, for better or for worse, the material welfare of vast millions of people. Economics helps you to understand the nature and organization of our society, the arguments underlying many of great public issues of the day, and the operation and behavior of business firms and other decision making units.

This course provides a basic understanding of how economic decisions are made by individual economic agents. The students will become better equipped in analytical tools to appreciate and to assess the economic issues in the society. Then, real world examples and current issues are used to explain the theory.

Microeconomics is the study of decisions that people and businesses make regarding the allocation of resources and prices of goods and services. The main objective is to help you understand the rationale of economic decision makings by the individual and the firm and to understand how the market operates. The course focuses on the behavior of the small economic units and describes how an individual makes a purchase decision or how a firm sets the prices of its products. Therfore, we will focuse on the supply and demand and other forces that determine the price levels seen in the economy. The course will alert you to the implications of microeconomics situations for managerial and personal decisions you will be making in the years ahead. The organization of markets and its implications for firm behavior are also examined. Moreover, the process by which these markets reach equilibrium is explored. Finally, it will be established that government involvement and intervention in the market are legitimized only when the market fails to function efficiently on its own.

**Required Texts and Course Materials**

Principles of Microeconomics, Greg Mankiw, 7th Edition, ISBN# 9781285165905.

**Grading and Evaluation**:

Each student will be given a grade reflecting the professor's evaluation of the student's mastery of the course material. The letter grade in the class will be determined by the combined points or the **Total Score** on the following exercises:

Percent Points

**(a) Midterm Exam 25% 250**

**(b) Three Quizez 24% 240**

***(The best 2 out of 3)***

**(c) Project 16% 160**

**(d) Final Exam 35% 350**

### TOTAL 100% 1,000 Points

Please note that the letter grade in the class will not be calculated as an average of the letter grades for each test/project. In fact, I will not assign any letter grades for each test or project. For each exam or computer project, you will simply get a **score** and not a letter grade. At the end of the semester, the total score is a weighted average of all exams and projects. The letter grade will be determined at the end of the semester by using a relative frequency distribution (curve) of the Total Score.

The following scale will be used to determine the letter grade:

|  |  |
| --- | --- |
| **Percentage** | **Letter grade** |
| 95 – 100% | A |
| 90 – 94.9 | A- |
| 87 – 89.9 | B+ |
| 83 – 86.9 | B |
| 80 – 82.9 | B- |
| 77 – 79.9 | C+ |
| 73 – 76.9 | C |
| 70 – 72.9 | C- |
| 67 – 69.9 | D+ |
| 63 – 66.9 | D |
| 60 – 62.9 | D- |

**Examination Policy**:

All aspects of the class are "fair game" for the examinations. Class discussions are included as a source. The final exam is cumulative. The student is expected to make every reasonable effort to take all the examinations at the scheduled time. **Make-up examinations will not be allowed under any circumstances**. If a midterm or a quize is missed for an approved reason, the final exam weight will be increased to compensate for the missed grade. Approved for missed examinations will be rare indeed, and only with appropriate written documentation from an authoritative source indicating why the student was unable (repeat: unable) to appear for an examination. Normally, only a doctor's certification of a severe medical problem will suffice.

**I will not accept any project or any document via e-mail**. Projects and term paper should be submitted the old fashioned method i.e. paper. All examinations and quizzes will be closed book. No student will be allowed to take the final examination at a time or place other than that scheduled for this course. Note: "leaving early to catch a plane home" and "conflicts in the exam schedule" are not sufficient reason to violate this policy.

You will have a choice to conduct a small economic case study as either a quantitative project or a qualitative project. The quantitative project involvs use of Excel in calculating price elasticity, demand curve and demand function for a frozen pie business that operates in 4 states. The qualitative project involves economic analysis of the the industry that you intend to work after your graduation. More explanations will be given on the third week of the class.

**Class Sessions**:

Attendance and participation in class is expected and is a component of the final grade. The assigned problems and cases are intended to facilitate learning the concepts covered on each chapter. Homework will be assigned to assist the student in learning the material and preparing for the examinations. It is important to remember the more problems a student works, the better he/she should do on the examinations. You are also urged to solve study guide problems or other unassigned problems at the end of each chapter. At least one chapter will be discussed on each meeting (for detailed information, please look at the attached schedule). The assigned homework is due on the next meeting. It shall be assumed that students have read and are prepared to discuss the text assignments before coming to class, as well as any appropriate case or handout materials. There will be a total of three quizzes that will be given at three randomly selected times.

**In general, email is the best way to get in contact with me.**

**Class Participation**:

Course content and tests will come from both the text and the lecture. In addition to overviewing the concepts developed in the text, class sessions will be devoted to probing, extending, and applying the text material and case studies. Each student is expected to contribute to class discussions. To a substantial extent, the benefit students derive from the assignments is related to their willingness to expose their viewpoint to the critical judgment of the class. Missing a class will put you at a significant disadvantage for both learning and performance in the class. Students are responsible for all announcements and material covered in class. If you must miss a class for some reason, recognize that it is your responsibility to get class notes and assignments from a classmate.

**Attendance is mandatory, that is, for each time you miss class your grade will go down by 15 points.** You will be exempt from the above policy only if: You have an emergency (e.g. car accident, illness or similar situation) and you provide a doctor’s letter or other appropriate documentation. You should bring the letter once you are back in class. Also, I should be notified regarding such conditions via email or phone, before class.

**Instructor/Student Interaction**:

If at any point during the course you have questions regarding the preparation of cases, exams or other course-related issues, please do not hesitate to contact the instructor. If scheduled office hours are inconvenient for you, contact the instructor after class to arrange an alternative appointment. Please talk to me about any problem relating to the course. Do not be reluctant to voice your opinion.

I care about your progress in the class, and if you are having difficulty, I would like to meet with you. It is my desire that this class will be a positive experience for you, and I want to help make it one. Please do not hesitate to contact me, either by phone or e-mail, for any reason whatsoever.

**Academic Honesty**

All work that students submit as their own work must, in fact, be their own work. Verbatim language taken from other sources -- books, papers, web sites, people, etc. -- must be placed in quotation marks and the source identified. Similarly, work on tests and exams must be the student's own work, not copied or taken from other students' work.

In accordance with the CSU Channel Islands policy on academic dishonesty, students in this course who submit the work of others as their own (plagiarize), cheat on tests or examinations, help other students cheat or plagiarize, or commit other acts of academic dishonesty will receive appropriate academic penalties, up to and including failing the course.

Assignments or papers with plagiarized language or ideas will receive a failing grade. Plagiarism or cheating on quizzes or exams will also result in a failing grade. In cases where the cheating or plagiarism was premeditated or planned, students may receive an F for the course.

Students are encouraged to consult with the instructor on when and how to document sources if they have questions about what might constitute an act of plagiarism or cheating.

Plagiarism, cheating, unethical computer use and facilitation of academic dishonest are examples of behavior which will result in disciplinary sanctions. Plagiarism includes, but is not limited to:

* word for word copying without using quotation marks or presenting the work as yours
* using the ideas or work of others without acknowledgement
* not citing quoted material. Students must cite sources for any information that is not either the result of original research or common knowledge.

**Program Learning Goals**: These are the skills we try to help you build in all MVS courses

1. Critical Thinking

2. Oral Communication

3. Written Communication

4. Collaboration

5. Conduct (Ethics)

6. Competency in Discipline

**Student Learning Objectives:**

• Understand and apply basic tools in business decision making 1

• Identify business objectives; profit maximization and cost minimization (1,3)

• Apply sensitivity analyses in business decisions by using concept of elasticity (1,6)

• Identify positive and normative methods of analysis. (1,6)

• Derive and interpret the optimality conditions for the constrained optimization problems faced by consumers and producers. (1,6)

• Identify the key factors affecting demand and supply (1,3)

• Incorporate risk considerations as part of business optimal decision-making. 1

• Determine the efficiency implications of various forms of market structure. (1,5)

• Project the economic consequences of business decisions or policy changes from the short run to the long run. (1, 3, 5)

• Identify circumstances where markets may fail and forecast likely outcomes of such failures. (1,5)

• Analyze government solutions to market failures. 1

**LEARNING OBJECTIVES BY Chapters:**

**Chapter 1:**

* that economics is about the allocation of scarce resources.
* that individuals face trade-offs.
* the meaning of opportunity cost.
* how to use marginal reasoning when making decisions.
* how incentives affect people’s behavior.
* why trade among people or nations can be good for everyone.
* why markets are a good, but not perfect, way to allocate resources.
* what determines some trends in the overall economy.

**Chapter 2:**

 how economists apply the methods of science.

 how assumptions and models can shed light on the world.

 two simple models—the circular flow and the production possibilities frontier.

 the difference between microeconomics and macroeconomics.

 the difference between positive and normative statements.

 the role of economists in making policy.

 why economists sometimes disagree with one another.

**Chapter 3:**

* how everyone can benefit when people trade with one another.
* the meaning of absolute advantage and comparative advantage.
* how comparative advantage explains the gains from trade.
* how to apply the theory of comparative advantage to everyday life and national policy.

**Chapter 4:**

 what a competitive market is.

 what determines the demand for a good in a competitive market.

 what determines the supply of a good in a competitive market.

 how supply and demand together set the price of a good and the quantity sold.

 the key role of prices in allocating scarce resources in market economies.

**Chapter 5:**

 the meaning of the elasticity of demand.

 what determines the elasticity of demand.

 the meaning of the elasticity of supply.

 what determines the elasticity of supply.

 the concept of elasticity in three very different markets (the market for wheat, the market for oil, and the market for illegal drugs).

**Chapter 6:**

 the effects of government policies that place a ceiling on prices.

 the effects of government policies that put a floor under prices.

 how a tax on a good affects the price of the good and the quantity sold.

 that taxes levied on sellers and taxes levied on buyers are equivalent.

 how the burden of a tax is split between buyers and sellers.

**Chapter 7:**

 the link between buyers’ willingness to pay for a good and the demand curve.

 how to define and measure consumer surplus.

 the link between sellers’ costs of producing a good and the supply curve.

 how to define and measure producer surplus.

 that the equilibrium of supply and demand maximizes total surplus in a market.

**Chapter 8:**

* how taxes reduce consumer and producer surplus.
* the meaning and causes of the deadweight loss from a tax.
* why some taxes have larger deadweight losses than others.
* how tax revenue and deadweight loss vary with the size of a tax.

**Chapter 9:**

 what determines whether a country imports or exports a good.

 who wins and who loses from international trade.

 that the gains to winners from international trade exceed the losses to losers.

 the welfare effects of tariffs and import quotas.

 the arguments people use to advocate trade restrictions.

**Chapter 10:**

 what an externality is.

 why externalities can make market outcomes inefficient.

 the various government policies aimed at solving the problem of externalities.

 how people can sometimes solve the problem of externalities on their own.

 why private solutions to externalities sometimes do not work.

**Chapter 11:**

 the defining characteristics of public goods and common resources.

 why private markets fail to provide public goods.

 some of the important public goods in our economy.

 why the cost–benefit analysis of public goods is both necessary and difficult.

 why people tend to use common resources too much.

 some of the important common resources in our economy.

**Chapter 13:**

 what items are included in a firm’s costs of production.

 the link between a firm’s production process and its total costs.

 the meaning of average total cost and marginal cost and how they are related.

 the shape of a typical firm’s cost curves.

 the relationship between short-run and long-run costs.

**Chapter 14:**

 what characteristics make a market competitive.

 how competitive firms decide how much output to produce.

 how competitive firms decide when to shut down production temporarily.

 how competitive firms decide whether to exit or enter a market.

 how firm behavior determines a market’s short-run and long-run supply curves.

**Chapter 15:**

 why some markets have only one seller.

 how a monopoly determines the quantity to produce and the price to charge.

 how the monopoly’s decisions affect economic well-being.

 why monopolies try to charge different prices to different customers.

 the various public policies aimed at solving the problem of monopoly.

**Chapter** 16 Monopolistic Competition

**Chapter** 17 Oligopoly

Part Six: The Economics of Labor Markets

**Chapter** 18 The Markets for the Factors of Production

**Chapter** 19 Earnings and Discrimination

**Chapter** 20 Income Inequality and Poverty

Part Seven: Topics for Further Study

**Chapter** 21 The Theory of Consumer Choice

**Chapter** 22 Frontiers of Microeconomics

**Interesting Quotations about Economics**

*Blessed are the young, for they will inherit the national debt.*

***By: Herbert Hoover***

*An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today.*

***By: Laurence J. Peter***

*Ask five economists and you'll get five different answers - six if one went to Harvard.*

***By: Edgar R. Fiedler***

*An economist is a man who states the obvious in terms of the incomprehensible.*

***By: Alfred A. Knopf***

*I've talked to you on a number of occasions about the economic problems our nation faces, and I am prepared to tell you it's in a hell of a mess—we're not connected to the press room yet, are we?*

***By: Ronald Reagan***

*The basic facts are straightforward, but interpretations vary.*

***By: Hazlett***

*There can be no real individual freedom in the presence of economic insecurity.*

***By: Chester Bowles (1901 - 1986)***

*If all economists were laid end to end, they would not reach a conclusion.*

***By: George Bernard Shaw (1856 - 1950)***

*Economics is extremely useful as a form of employment for economists.*

***By: John Kenneth Galbraith (1908 - 2006)***

*The last 2 quotations are: “I- I promise that the materials that you will learn in this class will help you in your future career. II- Trust me, it is not difficult to get an “A” in this course. All you have to do is: 1- Keep up with the course and do your homework* ***on time.*** *Remember, procrastination is your biggest enemy. 2- If you need help, I promise help is available.”*

*by Ali Akbari, Professor of Economics at CLU.*

**Tentative schedule**

Below is the tentative schedule for this course.

|  |  |  |  |
| --- | --- | --- | --- |
| **Week** | Monday | Wednesday | Chapters to be covered- Tests |
| 1 |  | Wednesday, January 22, 2014 | Introduction- Chapter 1 |
| 2 | Monday, January 27, 2014 | Wednesday, January 29, 2014 | Chapter 2- Appendix |
| 3 | Monday, February 03, 2014 | Wednesday, February 05, 2014 | Chapter 3, Chapter 4 |
| 4 | Monday, February 10, 2014 | Wednesday, February 12, 2014  **Quiz I** | Chapter 5, **Quiz I**, |
| 5 | Monday, February 17, 2014 | Wednesday, February 19, 2014 | Chapter 6 |
| 6 | Monday, February 24, 2014 | Wednesday, February 26, 2014 | Chapter 7,8 |
| 7 | Monday, March 03, 2014 | Wednesday, March 05, 2014  **Quiz II** | Chapter 9, **Quiz II**, |
| 8 | Monday, March 10, 2014 | Wednesday, March 12, 2014 | Chapter 10, 11 |
| 9 | Monday, March 17, 2014 | Wednesday, March 19, 2014  **Midterm Exam** | Chapter 12, **Midterm Exam** |
| 10 | Monday, March 24, 2014 | Wednesday, March 26, 2014 | Spring Recess; no instruction |
| 11 | Monday, March 31, 2014  César Chávez Day Observed; campus closed | Wednesday, April 02, 2014 | Chapter 13, 14 |
| 12 | Monday, April 07, 2014 | Wednesday, April 09, 2014 | Chapter 15 |
| 13 | Monday, April 14, 2014  **Quiz III** | Wednesday, April 16, 2014 | **Quiz III**, Chapter 16, 17 |
| 14 | Monday, April 21, 2014 | Wednesday, April 23, 2014 | Chapter 18- |
| 15 | Monday, April 28, 2014 | Wednesday, April 30, 2014 | Chapter 20, 19Prject is due. |
| 16 | Monday, May 05, 2014 | Wednesday, May 07, 2014 | Chapter 21 Review |
| 17 | **Monday, May 12, 2014**  10:30AM-12:30PM |  | **Final Exam** |

**Assignments By Chapter:**

|  |  |  |
| --- | --- | --- |
| **Chapter** | **Questions** | **Problems** |
| **1** | **Q1-10** | **P 1-5, P8, P11, P15-16** |
| **2** | **Q1-10** | **P 1-2, P5-6** |
| **3** | **Q 1-7** | **P1-2, P7-9, P11** |
| **4** | **Q 1-9** | **P 2-6, P 9-14** |
| **5** | **Q 1-11** | **P 1-8, P10-13** |
| **6** | **Q 1- 7** | **P 1-4, P6-7, P11-12** |
| **7** | **Q 1- 6** | **P 1-8** |
| **9** | **Q 1- 6** | **P 1-2, P4, P8-11, P13** |
| **10** | **Q 1- 6** | **P 1-3, P6-11** |
| **11** | **Q 1- 4** | **P 1-5, P 10-11** |
| **12** | **Q 1- 8** | **P 1-12** |
| **13** | **Q 1- 8** | **P 1-3, P 5-10, P 12** |
| **14** | **Q 1- 8** | **P 1-4, P9-12** |
| **15** | **Q 1- 8** | **P 1-6, P 9-11** |
| **16** | **Q 1- 5** | **P 1-8** |
| **17** | **Q 1- 8** | **P 1-2, P4-8** |
| **18** | **Q 1- 6** | **P 1-8** |
| **20** | **Q 1- 7** | **P 1, P 3-8** |
| **21** | **Q 1- 10** | **P 1-5, P 8-11** |
| **22** | **Q 1- 7** | **P 1-5, P 8-11** |

***Some hints on how to prepare your term paper:***

With some differences, most research papers in economics have the following segments:

* Formulating the research question (extensive advice will be given by the professor in the first meeting of the class).
* An introduction to the topic: Begin the paper by giving reasons for the selection of the topic. It is also useful to indicate the possible uses of the study in its introduction.

1. Survey of the existing literature: Research in every field is only a link between what exists and what can be further explored; therefore, it is necessary to give a brief account of what others discovered in that particular field of study.
2. Conduct individual analysis: Here the student should use her/his own methodology and analysis and present the study's achievements. The major part of the researcher's contribution appears in this section.
3. Conclusion and Policy Implications: A study in economics should help in the making of better decisions. Because of this, a researcher is often faced with and should address the question of policy implications in her/his study.
4. All additional analyses or data can be put in the appendices.
5. If statistics or views are presented that are not of the researcher, the source should be mentioned in the appropriate fashion.
6. A bibliography is needed for the paper. One of the prevailing methods of expressing the references (in a consistent manner throughout the paper) should be used.
7. Do not use emotional or sarcastic phrases.
8. Mention, if possible, the need for more elaborated work or questions that the study may raise.
9. Mention the shortcomings of the study rather than hiding them.

All the research papers should be presented to the class according to a predetermined schedule of presentations. Use of a PowerPoint presentation format is strongly recommended. 15% of your grade will be determined by group project.

**Resources for Economic Research**

**The following is a list of useful macroeconomic data bases. It is easy to check these sites; all you have to do is to press the “Ctrl” key while you click on the link.**

**United Nations Data Source:**

**Human Development Trends Data by Indicator.**

<http://hdr.undp.org/en/data>

Interesting comparison of economic indicators for different countries (Very interesting, I promise!)

<http://www.photius.com/wfb1999/rankings/unemployment_rate_0.html>

<http://www.photius.com/wfb1999/rankings/gdp_per_capita_0.html>

For additional international data, please look at the document called “International Data Base-Macroeconomic Data-Global-Regional-Individual country”.

### Macro summary statistics (major data series for recent years):

* [Econ Data & Links](http://zimmer.csufresno.edu/~johnsh/econ/econ_EDL.htm) - current values and links to sites that generate them   |
* [Economic-Indicators.com](http://www.Economic-Indicators.Com/) - links to data and current numbers   |

U.S. Department of Commerce:

<http://www.commerce.gov/>

The Commerce Department's mission is to help make American businesses more innovative at home and more competitive abroad. Comprised of 12 different agencies responsible for everything from weather forecasts to patent protection, the Commerce Department touches the lives of Americans every day.

### "Primary" macro and regional sites that generate data (many long series):

* Bureau of Economic Analysis
* <http://www.bea.gov/>- National Income and Produce Accounts (GDP, etc.), international and regional data   |
* [Bureau of Labor Statistics (BLS)](http://stats.bls.gov/) - more than 250,000 long series; unemployment and price (inflation) series most prominent   |
* [Conference Board](http://www.tcb-indicators.org) - "Leading Economic Indicators" and non-govt. data   |
* [Congressional Budget Office (CBO)](http://www.cbo.gov/) - current federal spending and revenue; macro forecasts   |
* [Federal Budget for the Fiscal Years 1997 to 2005](http://www.gpoaccess.gov/usbudget/index.html) - summary and very detailed federal budget info   |   [\.](http://rfe.org/showRes.php?rfe_id=14&cat_id=3)
* [**Federal Reserve**](http://rfe.org/showCat.php?cat_id=4) – Monetary data.
* [Survey of Consumers from the Univ. of Michigan](http://www.sca.isr.umich.edu/) - well-known survey of consumer attitudes
* [What Was the Exchange Rate Then?](http://eh.net/hmit/exchangerates/) - historical exchange rates   |
* [What Was the GDP Then?](http://eh.net/hmit/gdp/) - GDP estimates starting in 1789   |

### "Secondary" macro sites (data from primary sources packaged together, sometimes with analysis) :

* [Center for Capital Flow Analysis](http://www.capital-flow-analysis.com) - data and analysis of the Fed's Flow of Funds
* [Council of Economic Advisers (CEA)](http://www.whitehouse.gov/cea/) - White Papers on policy
* [Economic Report of the President: 1995 to the Present](http://www.gpoaccess.gov/eop/download.html) - President's policies and a fair number of time series   |
* [Economic Reports of the President: 1992-94](gopher://gopher.umsl.edu:70/11/library/govdocs/erps/) - old reports   |
* [EconData](http://inforumweb.umd.edu/Econdata.html) - very extensive data, but requires a downloadable program
* [Economagic](http://www.Economagic.com) - excellent source of macro time series (some 100,000 series available)   |
* [EconStats](http://www.EconStats.com) - variety of U.S. and international data   |
* [Federal Budget: Detailed Numbers](http://www.truthandpolitics.org/budget-numbers-intro.php) - retrieve federal budget numbers   |
* [FRB of St. Louis](http://research.stlouisfed.org/fred2/) - very convenient macro data source with 1000+ key macro series
* [FreeLunch.com](http://www.economy.com/freelunch/) - more than 100,000 times series   |
* [Haver Analytics](http://www.haver.com/) - emphasis on rapid delivery, quality checks, and very wide coverage (fee-based)   |
* [NationMaster.com](http://www.nationmaster.com/) - compare variety of data across countries   |
* [NBER Data Library](http://www.nber.org/data/) - variety of data types and sources
* [NBER's Macro-Historical Database](http://www.nber.org/databases/macrohistory/contents/index.html) - pre-WW II data from the U.S., U.K., France, and Germany

### "Secondary" regional data (data from primary sites nicely packaged) :

* [County and City Databooks](http://fisher.lib.virginia.edu/collections/stats/ccdb/) - useful extraction engine   |
* [EconData.Net](http://www.econdata.net/) - links to more than 1,000 regional data sites   |
* Consensus forecasts
* [Survey of Professional Forecasters](http://www.phil.frb.org/econ/spf/index.html) - free Philadelphia Fed Survey   |
* [Blue Chip Economic Indicators](http://www.aspenpublishers.com/bluechip.asp) - well-known consensus forecasts   |
* [Consensus Economics](http://www.consensuseconomics.com/) - U.S. and international consensus forecasts   |
* [Tradesports.com](http://tradesports.com/) - markets in economic releases   |

### Economic calendars and releases :

* [Briefing.com Economic Calendar](http://www.briefing.com/Silver/Calendars/EconomicCalendar.htm) - lists release dates and consensus forecasts
* [Econoday](http://www.econoday.com/) - lists release dates of U.S. macro data   |
* [Economic Releases and Indicators (NBER)](http://www.nber.org/releases/) - links to current releases