Contents in Brief

A Centrist Proclamation xvi Preface xviii For the Student: Economics and the Internet xxiii

| PART ONE | BASIC CONCEPTS | 1 |
|------------|--|-----|
| Chapter 1 | The Central Concepts of Economics 3 | |
| Appendix 1 | How to Read Graphs 18 | |
| Chapter 2 | The Modern Mixed Economy 25 | |
| Chapter 3 | Basic Elements of Supply and Demand 45 | |
| PART TWO | MICROECONOMICS: SUPPLY, DEMAND, AND PRODUCT MARKETS | 63 |
| Chapter 4 | Supply and Demand: Elasticity and Applications 65 | |
| Chapter 5 | Demand and Consumer Behavior 84 | |
| Appendix 5 | Geometrical Analysis of Consumer Equilibrium 101 | |
| Chapter 6 | Production and Business Organization 107 | |
| Chapter 7 | Analysis of Costs 126 | |
| Appendix 7 | Production, Cost Theory, and Decisions of the Firm 144 | |
| Chapter 8 | Analysis of Perfectly Competitive Markets 149 | |
| Chapter 9 | Imperfect Competition and Monopoly 169 | |
| Chapter 10 | Competition among the Few 187 | |
| Chapter 11 | Economics of Uncertainty 211 | |
| PART THREE | FACTOR MARKETS: LABOR, LAND, AND CAPITAL | 227 |
| Chapter 12 | How Markets Determine Incomes 229 | |
| Chapter 13 | The Labor Market 248 | |
| Chapter 14 | Land, Natural Resources, and the Environment 267 | |
| Chapter 15 | Capital, Interest, and Profits 283 | |
| | | |

| PART FOUR | APPLICATIONS OF ECONOMIC PRINCIPLES 301 |
|-------------|---|
| Chapter 16 | Government Taxation and Expenditure 303 |
| Chapter 17 | Efficiency vs. Equality: The Big Tradeoff 323 |
| Chapter 18 | International Trade 339 |
| PART FIVE | MACROECONOMICS: ECONOMIC GROWTH AND BUSINESS CYCLES 365 |
| Chapter 19 | Overview of Macroeconomics 367 |
| Appendix 19 | Macroeconomic Data for the United States 385 |
| Chapter 20 | Measuring Economic Activity 386 |
| Chapter 21 | Consumption and Investment 408 |
| Chapter 22 | Business Cycles and Aggregate Demand 428 |
| Chapter 23 | Money and the Financial System 453 |
| Chapter 24 | Monetary Policy and the Economy 475 |
| PART SIX | GROWTH, DEVELOPMENT, AND THE GLOBAL ECONOMY 499 |
| Chapter 25 | Economic Growth 501 |
| Chapter 26 | The Challenge of Economic Development 521 |
| Chapter 27 | Exchange Rates and the International Financial System 543 |
| Chapter 28 | Open-Economy Macroeconomics 564 |
| PART SEVEN | UNEMPLOYMENT, INFLATION, AND ECONOMIC POLICY 587 |
| Chapter 29 | Unemployment and the Foundations of Aggregate Supply 589 |
| Chapter 30 | Inflation 609 |
| Chapter 31 | Frontiers of Macroeconomics 630 |

Glossary of Terms 654 Index 677

Contents

| A Centrist Proclamation xvi | Chapter 2 |
|---|---|
| Preface xviii | The Modern Mixed Economy 25 |
| For the Student: Economics and the Internet xxiii PART ONE | A. The Market Mechanism Not Chaos, but Economic Order • How Markets Solve the Three Economic Problems • The Dual Monarchy • A Picture of Prices and Markets • The Invisible Hand • |
| BASIC CONCEPTS I | B. Trade, Money, and Capital Trade, Specialization, and Division of Labor 31 Money: The Lubricant of Exchange 33 Capital 33 |
| Chapter I | Capital and Private Property ● |
| The Central Concepts of Economics 3 | C. The Visible Hand of Government 34 |
| A. Why Study Economics? For Whom the Bell Tolls • Scarcity and Efficiency: The Twin Themes of Economics 3 • Definitions of Economics • Scarcity and Efficiency • Microeconomics and Macroeconomics • The Logic of Economics 5 • Cool Heads at the Service of Warm Hearts 6 • | Efficiency 35 • Imperfect Competition • Externalities • Public Goods • Equity 38 • Macroeconomic Growth and Stability 39 • The Rise of the Welfare State 40 • Conservative Backlash • The Mixed Economy Today • |
| B. The Three Problems of Economic Organization Market, Command, and Mixed Economies 8 ● | Summary 41 ● Concepts for Review 42 ● Further Reading and Internet Websites 43 ● Questions for Discussion 43 ● |
| C. Society's Technological Possibilities Inputs and Outputs 9 • The Production-Possibility Frontier 9 • Applying the PPF to Society's | Chapter 3 Basic Elements of Supply and Demand 45 |
| Choices ● Opportunity Costs ● Efficiency ● Summary 15 ● Concepts for Review 15 ● Further Reading and Internet Websites 16 ● Questions for | A. The Demand Schedule The Demand Curve 47 ● Market Demand ● Forces behind the Demand Curve ● Shifts in Demand ● |
| Discussion 16 • | B. The Supply Schedule The Supply Curve 51 • Forces behind the Supply |
| Appendix I | Curve • Shifts in Supply • |
| How to Read Graphs 18 The Production-Possibility Frontier 18 ● Production-Possibility Graph ● A Smooth Curve ● Slopes and Lines ● Slope of a Curved Line ● Slope as the Marginal Value ● Shifts of and Movement along Curves ● Some Special Graphs ● | C. Equilibrium of Supply and Demand Equilibrium with Supply and Demand Curves 54 • Effect of a Shift in Supply or Demand • Interpreting Changes in Price and Quantity • Supply, Demand, and Immigration • Rationing by Prices 59 • |
| Summary to Appendix 23 • Concepts for | Summary 60 ● Concepts for Review 61 ● Further Reading and Internet Websites 61 ● Questions for |

Discussion 61 •

Summary to Appendix 23 ● Concepts for Review 24 • Questions for Discussion 24 •

101

PART TWO MICROECONOMICS: SUPPLY, DEMAND, AND PRODUCT MARKETS 63

Chapter 4
Supply and Demand: Elasticity and Applications

65

A. Price Elasticity of Demand and Supply

Price Elasticity of Demand 65 ● Calculating Elasticities ●

Price Elasticity in Diagrams ● A Shortcut for Calculating

Elasticities ● The Algebra of Elasticities ● Elasticity Is

Not the Same as Slope ● Elasticity and Revenue 70 ●

The Paradox of the Bumper Harvest ● Price Elasticity of

Supply 72 ●

B. Applications to Major Economic Issues

The Economics of Agriculture 73 ● Long-Run Relative
Decline of Farming ● Impact of a Tax on Price and
Quantity 75 ● Minimum Floors and Maximum
Ceilings 77 ● The Minimum-Wage Controversy ●
Energy Price Controls ● Rationing by the Queue, by
Coupons, or by the Purse? ●

Summary 81 ● Concepts for Review 82 ● Further Reading and Internet Websites 82 ● Questions for Discussion 82 ●

Chapter 5 Demand and Consumer Behavior

84

Choice and Utility Theory 84 ● Marginal Utility and the Law of Diminishing Marginal Utility ● A Numerical Example ● Derivation of Demand Curves 87 ● The Equimarginal Principle ● Why Demand Curves Slope Downward ● Leisure and the Optimal Allocation of Time ● Analytical Developments in Utility Theory ● An Alternative Approach: Substitution Effect and Income Effect 89 ● Substitution Effect ● Income Effect 89 ● Substitution Effect ● Income Effect ● From Individual to Market Demand 91 ● Demand Shifts ● Substitutes and Complements ● Empirical Estimates of Price and Income Elasticities ● The Economics of Addiction 94 ● The Paradox of Value 95 ● Consumer Surplus ●

Summary 98 ● Concepts for Review 99 ● Further Reading and Internet Websites 99 ● Questions for Discussion 99 ●

Appendix 5 Geometrical Analysis of Consumer Equilibrium

The Indifference Curve 101 ● Law of Substitution ● The Indifference Map ● Budget Line or Budget Constraint 103 ● The Equilibrium Position of Tangency 104 ● Changes in Income and Price 104 ● Income Change ● Single Price Change ● Deriving the Demand Curve 105 ●

Summary to Appendix 106 ● Concepts for Review 106 ● Questions for Discussion 106 ●

Chapter 6 Production and Business Organization

107

A. Theory of Production and Marginal Products

Basic Concepts 107 ● The Production Function ● Total,
Average, and Marginal Product ● The Law of Diminishing
Returns ● Returns to Scale 111 ● Short Run and Long
Run 112 ● Technological Change 113 ● Productivity and
the Aggregate Production Function 116 ● Productivity ●
Productivity Growth from Economies of Scale and Scope ●
Empirical Estimates of the Aggregate Production Function ●

B. Business Organizations

The Nature of the Firm 118 • Big, Small, and
Infinitesimal Businesses 119 • The Individual
Proprietorship • The Partnership • The Corporation •
Ownership, Control, and Executive Compensation •

Summary 123 ● Concepts for Review 124 ● Further Reading and Internet Websites 124 ● Questions for Discussion 124 ●

Chapter 7 Analysis of Costs

126

135

A. Economic Analysis of Costs

Total Cost: Fixed and Variable 126 ● Fixed Cost ●
Variable Cost ● Definition of Marginal Cost 127 ●
Average Cost 129 ● Average or Unit Cost ● Average
Fixed and Variable Costs ● The Relation between
Average Cost and Marginal Cost ● The Link between
Production and Costs 132 ● Diminishing Returns
and U-Shaped Cost Curves ● Choice of Inputs by the
Firm 134 ● Marginal Products and the Least-Cost Rule ●

B. Economic Costs and Business Accounting The Income Statement, or Statement of Profit and Loss 135 ● The Balance Sheet 136 ● Accounting Conventions ● Financial Finagling ●

CONTENTS

| C. Opportunity Costs Opportunity Cost and Markets 140 | Chapter 9 |
|--|---|
| Summary 4 ● Concepts for Review 42 ● Further | Imperfect Competition and Monopoly 169 |
| Reading and Internet Websites 142 ● Questions for Discussion 142 ● | A. Patterns of Imperfect Competition Definition of Imperfect Competition • Varieties of Imperfect Competitors 171 • Monopoly • Oligopoly • Monopolistic Competition • Sources of Market |
| Appendix 7 Production, Cost Theory, and Decisions of the Firm | |
| A Numerical Production Function 144 • The Law of Diminishing Marginal Product 144 • Least-Cost Factor Combination for a Given Output 145 • Equal-Product Curves • Equal-Cost Lines • Equal-Product and Equal-Cost Contours: Least-Cost Tangency • Least-Cost Conditions • | B. Monopoly Behavior The Concept of Marginal Revenue 177 • Price, Quantity, and Total Revenue • Marginal Revenue and Price • Elasticity and Marginal Revenue • Profit-Maximizing Conditions 180 • Monopoly Equilibrium in Graphs • Perfect Competition as a Polar Case of Imperfect Competition • The Marginal Principle: Let Bygones Be Bygones 183 • Loss Aversion and the Marginal Principle • |
| Summary to Appendix 147 ● Concepts for Review 148 ● Questions for Discussion 148 ● | Summary 184 ● Concepts for Review 185 ● Further Reading and Internet Websites 185 ● Questions for Discussion 186 ● |
| Chapter 8 Analysis of Perfectly Competitive Markets | |
| A. Supply Behavior of the Competitive Firm Behavior of a Competitive Firm 149 Profit | Chapter 10 |
| Maximization ● Perfect Competition ● Competitive Supply Where Marginal Cost Equals Price ● Total Cost and the Shutdown Condition ● | A. Behavior of Imperfect Competitors Measures of Market Power • The Nature of Imperfect Competition 189 • Theories of Imperfect Competition 189 • Collusive Oligopoly • Monopolistic |
| B. Supply Behavior in Competitive Industries Summing All Firms' Supply Curves to Get Market Supply 154 ● Short-Run and Long-Run Equilibrium 155 | 4 Competition ● Rivalry among the Few ● Price Discrimination 193 ● |
| The Long Run for a Competitive Industry • | B. Game Theory Thinking about Price Setting ● Basic Concepts 196 ● |
| C. Special Cases of Competitive Markets 15 General Rules 157 • Constant Cost • Increasing Costs | and a comment of the |
| and Diminishing Returns ● Fixed Supply and Economic Rent ● Backward-Bending Supply Curve ● Shifts in Supply ● | C. Public Policies to Combat Market Power Economic Costs of Imperfect Competition 199 • The Cost of Inflated Prices and Reduced Output • The Static Costs of Imperfect Competition • Public Policies |
| D. Efficiency and Equity of Competitive Markets Evaluating the Market Mechanism 160 ● The Concept of Efficiency ● Efficiency of Competitive Equilibrium ● Equilibrium with Many Consumers and Markets ● Marginal Cost as a Benchmark for Efficiency ● Qualifications 163 ● Market Failures ● Two Cheers for the Market, but Not Three ● | |
| Summary 165 ● Concepts for Review 166 ● Further | Summary 207 ● Concepts for Review 208 ● Further |

Reading and Internet Websites 208 • Questions for

Discussion 209 •

Reading and Internet Websites 166 • Questions for

Discussion 166 •

| A. Economics of Risk and Uncertainty Speculation: Shipping Assets or Goods Across Space and Time 212 A ribitage and Geographic Price Patterns Speculation and Price Behavior over Time Sheculation and Price Behavior over Time Speculation and Price Behavior over Time Speculation and Price Behavior over Time Sheculation and Price Behavior over Time Sheculation and Price Behavior over Time Sheculation and Price Behavior over Time She Reconomics of Insurance Sheculation Shaw Rets and Risk Sharing Market Failures Information 217 Moral Hazard and Adverse Selection Social Insurance 218 C. Health Care: The Problem That Won't Go Away The Economics of Medical Care 219 Special Economic Features of Health Care Health | Chapter 11 Economics of Uncertainty 2 | Summary 244 • Concepts for Review 245 • Further Reading and Internet Websites 245 • Questions for Discussion 245 • | | |
|--|---|--|--|--|
| Speculation: Shipping Assets or Goods Across Space and Time 212 • Arbitrage and Geographic Price Patterns • Speculation and Price Behavior over Time • Shedding Risks through Hedging • The Economic Impacts of Speculation • Risk and Uncertainty 215 • Marginal Productivity Differences • International Comparisons • The Supply of Labor 231 • Determinants of Supply • Empirical Evidence • International Comparisons • The Supply of Labor 251 • Determinants of Supply • Empirical Evidence • International Comparisons • The Supply of Labor 251 • Determinants of Supply • Empirical Evidence • International Comparisons • The Supply of Labor 251 • Determinants of Supply • Empirical Evidence • International Comparisons • The Supply of Labor 251 • Determinants of Supply • Empirical Evidence • International Comparisons • The Supply of Labor 251 • Determinants of Supply • Empirical Evidence • International Comparisons • The Supply of Labor 251 • Determinants of Supply • Empirical Evidence 26 • International Comparisons • The Supply of Labor 251 • Determinants of Supply • Empirical Evidence 26 • International Comparisons • The Supply of Labor 251 • Determinants of Supply • Empirical Findings • Wage Differentials 253 • Differences in Poole Labor Quality • Differences in People: Labor Quality • Calor Quality • Segmented Markets and Noncompeting Groups • Supply of Labor 270 • Segmented Markets and Noncompeting Groups • Supply of Labor 270 • Segmented Markets and Noncompeting Groups • Supply of Labor Unions 257 • Government • Markets and Noncompeting Groups • Supply of Labor Unions 257 • Government • Supply of Labor 270 • Segmented Markets and Noncompeting Groups • Supply of Labor 270 • Segmented Markets and Noncompeting Groups • Supply of Labor 270 • Segmented Markets and Noncompeting Groups • Supply of Labor 270 • Segmented Markets and Noncompeting Groups • Supply of Labor 271 • Determinants of Supply of Labor 271 • Det | A Economics of Risk and Uncertainty 2 | | | |
| Time 212 • Arbitrage and Geographic Price Patterns Speculation and Price Behadvior over Time • Shedding Risks through Hedging • The Economic Impacts of Speculation • Risk and Uncertainty 215 • B. The Economics of Insurance Capital Markets and Risk Sharing • Market Failures Selection • Social Insurance 218 • C. Health Care: The Problem That Won't Go Away The Economics of Medical Care 219 • Special Economic Features of Health Care • Health Care as a Social Insurance Program • Rationing Health Care • D. Innovation and Information 217 Schumpeter's Radical Innovation • The Economics of Information • Intellectual Property Rights • The Dilemma of the Internet • Summary 224 • Concepts for Review 225 • Further Reading and Internet Websites 225 • Questions for Discussion 225 • PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth 229 B. Input Pricing by Marginal Productivity B. Input Pricing by Marginal Revenue Product • The Demands for Factors of Production 236 • Factor Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination on Factors Factors Are Derived Demands • Market Failures Part Three Schooling 1216 A. Fundamentals of Wage Differences • International Comparisons • The Supply of Labor 221abor 221 abor 221 be Determinant of Supply • Empirical Findings • Wage Differencials • Differences in Jobs: Compensating Wage Differentials • 259 Differences in Jobs: Compensating Wage Differentials • 259 Differences in Jobs: Compensating Wage Differentials • 259 E. Labor Market Issues and Policies The Economics of Labor Unions 257 • Government and Collective Bargaining • How Unions Raise Wages 258 • Theoretical Indeterminacy of Collective Bargaining • How Unions Raise Wa | 7.1 | | | |
| Risks through Hedging ● The Economic Impacts of Speculation ● Risk and Uncertainty 215 ● B. The Economics of Insurance Capital Markets and Risk Sharing ● Market Failures Selection ● Social Insurance 218 ● C. Health Care: The Problem That Won't Go Away C. Health Care: The Problem That Won't Go Away C. Health Care = 4 Health Care as a Social Insurance Program ● Rationing Health Care ● Special Economic Features of Health Care • Health Care as a Social Insurance Program ● Rationing Health Care ● D. Innovation and Information Schumpeter's Radical Innovation ● The Economics of Information ● Intellectual Property Rights ● The Dilemma of the Internet ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes Chapter 12 A. Income and Wealth 227 Chapter 12 How Markets Determined S 233 ● Determination Part Three Reading and Internet Websites 225 ● Questions for Discussion 250 ● Factor Incomes vs. Personal Incomes Role of Government ● Wealth 231 ● B. Input Pricing by Marginal Productivity A. The Economics of Natural Resources, and the Environment 246 A. The Economics of Inderermination 249 ● Marginal Revenue Product 285 ● Razer Production 290 ● Conomic Markets and Noncompeting Groups ● The Economics of Labor Quality ● Differences in People: Labor Quality ● Differences in People: The "Remts" of Unique Individuals ● Segmented Markets and Noncompeting Groups ● The Economics of Labor Unions 257 ● Government 221 Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discrimination ● Discrimination 261 ● Definition of Discrimination ● Discrimination 261 ● Definition of Discrimination ● Statistical Davination of Statistical Davination 261 ● Definition of Discrimination ● Statistical Davination 261 ● Definition of Discrimination ● Statistical Davination 261 ● Definition of Discrimination ● Statistical Davination 261 | Time 212 ● Arbitrage and Geographic Price Patterns | The Labor Market 248 | | |
| Speculation • Risk and Uncertainty 215 • B. The Economics of Insurance Capital Markets and Risk Sharing • Market Failures in Information 217 • Moral Hazard and Adverse Selection • Social Insurance 218 • C. Health Care: The Problem That Won't Go Away The Economics of Medical Care 219 • Special Economic Features of Health Care • A Resource Capital Insurance Program • Rationing Health Care • D. Innovation and Information 217 • Moral on • Intellectual Property Rights • The Dilemma of the Internet • Schumpeter's Radical Innovation • The Economics of Information • Intellectual Property Rights • The Dilemma of the Internet • Summary 224 • Concepts for Review 225 • Further Reading and Internet Websites 225 • Questions for Discussion 225 • PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes Chapter 12 How Markets Determine Incomes Chapter 12 A. Income and Wealth 231 • B. Input Pricing by Marginal Productivity 232 The Nature of Factor Demands • Demands for Factors Are Derived Demands for Production 236 • Factor Demands of Production 236 • Factor Demands for Factors | Speculation and Price Behavior over Time • Shedding | | | |
| Marginal Productivity Differences ● International Comparisons ● The Supply of Labor 251 ● Determinants of Information 217 ● Moral Hazard and Adverse Selection ● Social Insurance 218 ● Differences in People: Labor Quality ● Differences in People: Labor Quality ● Differences in People: The "Rents" of Unique Individuals ● Segmented Markets and Noncompeting Groups ● The Economics of Medical Care 219 ● Special Economic Features of Health Care as a Social Insurance Program ● Rationing Health Care ● Health Care as a Social Insurance Program ● Rationing Health Care ● The Dilemma of the Internet ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● Differences in People: Labor Quality ● Differences in People: The "Rents" of Unique Individuals ● Segmented Markets and Noncompeting Groups ● The "Cenomics of Labor Unions 257 ● Government and Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● Effects on Wages and Employment 259 ● Has Unionization Raised Wages? ● Oneonemic Analysis of Discrimination D | Risks through Hedging • The Economic Impacts of | | | |
| Capital Markets and Risk Sharing ● Market Failures in Information 217 ● Moral Hazard and Adverse Selection ● Social Insurance 218 ● C. Health Care: The Problem That Won't Go Away The Economics of Medical Care 219 ● Special Economic Features of Health Care = Mealth Care = Mealth Care = Special Insurance Program ● Rationing Health Care ● D. Innovation and Information 221 Schumpeter's Radical Innovation ● The Economics of Information ● Intellectual Property Rights ● The Dilemma of the Internet ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes 12 A. Income and Wealth 12 Encome 230 ● Factor Incomes vs. Personal Incomes ● Role of Government ● Wealth 231 ● Special Economics of Natural Resources Production of Production 236 ● Factor Demands 238 ● Demands for Factors Are Derived Demands of Demands for Factors of Production 236 ● Factor Demands of Production 236 ● Factor Demands for Factors of Production 236 ● Factor Demands | Speculation • Risk and Uncertainty 215 • | | | |
| Capital Markets and Risk Sharing ● Market Failures in Information 217 ● Moral Hazard and Adverse Selection ● Social Insurance 218 ● Special Economic Features of Health Care 219 ● Special Economic Features of Health Care 219 ● Special Economic Features of Health Care as a Social Insurance Program ● Rationing Health Care ● D. Innovation and Information 221 Schumpeter's Radical Innovation ● The Economics of Information ● Intellectual Property Rights ● The Dilemma of the Internet ● Uncemboyment of Discrimination ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes 220 A. Income and Wealth 231 ● B. Input Pricing by Marginal Productivity 232 B. Input Pricing by Marginal Productivity 237 The Nature of Factor Demands 233 ● Demands for Factors Are Derived Demands of Production 236 ● Factor Demands for Product and the Demand for Factors ● Supply of Factors of Production 236 ● Factor Demands for Factors ● Supply of Factors of Production 236 ● Factor Demands for Factors ● Supply of Factors of Production 236 ● Factor Demands for Factors ● Supply of Factors of Production 236 ● Factor Demands for Factors ● Supply of Factors of Production 236 ● Factor Demands for Factors ● Supply of Factors of Production 238 ● Determination of Factor ■ Supply of Factors of Production 238 ● Determination of Factor ■ Supply of Factors of Production 238 ● Determination of Factor ■ Supply of Factors of Production 238 ● Determination of Factor ■ Supply of Facto | 5 Tl 5 | | | |
| in Information 217 ● Moral Hazard and Adverse Selection ● Social Insurance 218 ● C. Health Care: The Problem That Won't Go Away The Economics of Medical Care 219 ● Special Economic Features of Health Care: ● Health Care as a Social Insurance Program ● Rationing Health Care ● D. Innovation and Information C. Health Care: ■ Health Care as a Social Insurance Program ● Rationing Health Care ● D. Innovation and Information C. Health Care: ■ Health Care as a Social Insurance Program ● Rationing Health Care ● D. Innovation and Information C. Health Care: ■ Health Care as a Social Insurance Program ● Rationing Health Care ● D. Innovation and Information Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● Effects on Wages and Employment 259 ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes 229 Chapter 12 How Markets Determine Incomes A. Income and Wealth 229 Chapter 14 Land, Natural Resources, and the Environment 263 A. Income and Wealth 229 B. Input Pricing by Marginal Productivity The Nature of Factor Demands 30 ● Beamads for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product 255 ● Marginal Revenue Product 255 ● Marginal Revenue Product 238 ● Demands for Factors Of Production 236 ● Factor Demands for Pactors Of Production 238 ● Determination of Factor Openands for Product and the Demand for Factors Supply of Factors of Production 238 ● Determination of Factor Supply of Factors of Production 238 ● Determination of Factor Supply of Factors of Production 238 ● Determination of Factor Supply of Factors of Production 238 ● Determination of Factor Supply of Factors of Production 238 ● Determinat | | | | |
| Selection ● Social Insurance 218 ● C. Health Care: The Problem That Won't Go Away The Economics of Medical Care ≥ 19 ● Special Economic Features of Health Care as a Social Insurance Program ● Rationing Health Care ● D. Innovation and Information 221 Schumpeter's Radical Innovation ● The Economics of Information ● Intellectual Property Rights ● The Dilemma of the Internet ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth 227 Chapter 12 How Markets Determine Incomes B. Labor Market Issues and Policies 257 The Economics of Labor Unions 257 ● Government and Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● Effects on Wages and Employment 259 ● Has Unionization Raised Wages? ● Unions and Classical Unemployment ● Discrimination 261 ● Definition of Discrimination ● Discrimination ≥ 60 ● Economic Analysis of Discrimination ● Stactistical Discrimination ● Collective Bargaining ● Effects on Wages and Employment 259 ● Has Unionization Raised Wages? ● Unions and Classical Unemployment ● Discrimination 261 ● Definition of Discrimination ● Discrimination ● Stactistical Disc | | | | |
| People: The "Rents" of Unique Individuals ● Segmented Markets and Noncompeting Groups ● Labor Market Issues and Policies The Economics of Labor Unions 257 ● Government and Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Collective Bargaining ● How Unions Raise Mages 258 ● Theoretical Indeterminatory of Discrimination of Statistical Indeterminatory of Discrimination 261 ● Definition of Discrimination 261 ● Definition of Discrimination Pace Unremployment ● Discrimination Statistical Discrimination 268 ● Empirical Evidence 263 ● Reducing Labor Market Discrimination ● Discrimination 264 ● Uneven Progress ● Part Progress | | | | |
| C. Health Care: The Problem That Won't Go Awoy The Economics of Medical Care 219 ● Special Economic Features of Health Care ● Health Care as a Social Insurance Program ● Rationing Health Care ● D. Innovation and Information Schumpeter's Radical Innovation ● The Economics of Information ● Intellectual Property Rights ● The Dilemma of the Internet ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth 227 Chapter 12 How Markets Determine Productivity B. Input Pricing by Marginal Productivity The Nature of Factors Are Derived Demands © Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors of Production 238 ● Determination of Factors Or Factors | Selection • Social insurance 216 • | | | |
| The Economics of Medical Care 219 • Special Economic Features of Health Care as a Social Insurance Program • Rationing Health Care as a Social Insurance Program • Rationing Health Care • Insurance Program • Rationing Program • Ration Collective Bargaining • How Unions 257 • Government and Collective Bargaining • How Unions Raise Wages 258 • Theoretical Indeterminacy of Collective Bargaining • Effects on Piscretical Indeterminacy of Collective Bargaining • Effects on Bargainal Programs • Private Mages and Employment 259 • Has Unionization Raised Wages? • Unions and Classical Unemployment • Discrimination 260 • Economic Discrimination • Statistical Discrimination • Estation Discrimination • Empirical Evidence 263 • Reducing Labor Market Discrimination • Empirical Evidence 263 • Reducing Labor Market Discrimination • | C. Health Care: The Problem That Won't Go Away | | | |
| Features of Health Care • Health Care as a Social Insurance Program • Rationing Health Care • D. Innovation and Information Schumpeter's Radical Innovation • The Economics of Information • Intellectual Property Rights • The Dilemma of the Internet • Summary 224 • Concepts for Review 225 • Further Reading and Internet Websites 225 • Questions for Discussion 225 • PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth 227 Chapter 14 Land, Natural Resources, and the Environment 267 A. Income and Wealth 231 • B. Input Pricing by Marginal Productivity B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 • Demands for Factors Are Derived Demands • Demands for Factors of Production 236 • Factor Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor Product and the Demand for Factors • Chapter 1 Product and the Demand for Factors • Claimed Change: To Slow or Not to Slow 278 • Quarrel and Collective Bargaining • How Unions 257 • Government and Collective Bargaining • How Unions Raise Wages 258 • Theoretical Indeterminacy of Collective Bargaining • How Unions Raise Wages 258 • Theoretical Indeterminacy of Collective Bargaining • How Unions 257 • Government 259 • Has Unionization Raised Wages? • Unions and Classical Unemployment • Discrimination 260 • Economic Obscrimination • Discrimination of Discrimination • Discrimination • Statistical Discrimination • Empirical Evidence 263 • Reducting Labor Market Discrimination • Statistical Discrimination • Empirical Evidence 263 • Reducing Labor Market Discrimination • Statistical Discrimination • Statistical Discrimination • Comomic Programs • Comomic Discrimination • Comomic Programs • Comomic Discrimination • Comomic Programs • Comomi | • · · · · · · · · · · · · · · · · · · · | marke and Honeompeans of oups | | |
| Insurance Program ● Rationing Health Care ● D. Innovation and Information Schumpeter's Radical Innovation ● The Economics of Information ● Intellectual Property Rights ● The Dilemma of the Internet ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth 227 Chapter 14 Land, Natural Resources, and the Environment Obscursion 1 Product of Factors Or Product 235 ● Marginal Revenue Product 235 ● Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors Supply of Factors of Production 236 ● Factor Chapter 1 Product and the Demand for Factors Supply of Factors of Production 238 ● Determination of Factors The Economics of Labor Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● How Unions Raise Wages 258 ● Unions and Classical Unemployment ● Discrimination 260 ● Economic Analysis of Discrimination 261 ● Definition of Discrimination by Exclusion ● Taste for Discrimination Against Women 263 ● Empirical Evidence 263 ● Reducing Labor Market Discrimination 264 ● Uneven Progress ● Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 14 Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● Rent as Return to Fixed Factors ● Taxing Land ● Rent as Return to Fixed Factors ● Taxing Land ● Rent as Return to Fixed Factors ● Taxing Land ● Rent as Return to Fixed Factors ● Taxing Land ● Rent as Return to Fixed | Features of Health Care • Health Care as a Social | | | |
| and Collective Bargaining ● How Unions Raise Wages 258 ● Theoretical Indeterminacy of Collective Bargaining ● Effects on Wages and Employment 259 ● Has Unionization Raised Wages? ● Unions and Classical Unemployment ● Discrimination 261 ● Definition of Discussion 225 ● Questions for Discussion 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth 127 A. Income and Wealth 229 A. Income and Wealth 229 B. Input Pricing by Marginal Productivity The Nature of Factors Demands 233 ● Demands for Factors Are Derived Demands ● Demands for Factors Are Derived Demands ● Demands for Factors Are Derived Demands ● Demands for Factors of Production 236 ● Factor Demands for Profit-Maximizing Firms ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factors A Description of Factors of Production 238 ● Determination of Factors A Description of Factors of Production 238 ● Determination of Factors A Description of Discrimination 261 ● Definition of Discrimination 261 ● Definit | | | | |
| Schumpeter's Radical Innovation • The Economics of Information • Intellectual Property Rights • The Dilemma of the Internet • Internet Websites 225 • Questions for Discussion 225 • Internet Factor Markets: LABOR, LAND, AND CAPITAL 227 Chapter 12 | | and Collective Bargaining • How Unions Raise | | |
| of Information • Intellectual Property Rights • The Dilemma of the Internet • Dilemma of Dilemm | | | | |
| Dilemma of the Internet ● Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth 227 Chapter 12 A. Income and Wealth 231 ● B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 ● Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors of Production 238 ● Determination of Discrimination 261 ● Definition of Discrimination of Discriminati | | | | |
| Analysis of Discrimination 261 • Definition of Discrimination by Exclusion • Taste for Discrimination • Statistical Discrimination • Statistical Discrimination • Economic Discrimination • Statistical Discrimination • Economic Propress • Economic Discrimination • Economic Discrimination • Economic Discrimination • Economic Propress • Economic Propress • Economic Discrimination • Economic Propress • | | | | |
| Summary 224 ● Concepts for Review 225 ● Further Reading and Internet Websites 225 ● Questions for Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth Income 230 ● Factor Incomes vs. Personal Incomes Role of Government ● Wealth 231 ● B. Input Pricing by Marginal Productivity B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 ● Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors Discrimination ● Discrimination by Exclusion ● Taste for Discrimination of Statistical Discrimination ● Economic Discrimination of Statistical Discrimination ● Economic Discrimination of Statistical Discrimination of Statis | Dilemma of the Internet ● | | | |
| FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth Income 230 • Factor Incomes vs. Personal Incomes Role of Government • Wealth 231 • B. Input Pricing by Marginal Productivity The Nature of Factor Demands of Demands for Factors Are Interdependent • Distribution Theory and Marginal Revenue Product 235 • Marginal Revenue Product and the Demand for Factors of Production 238 • Determination of Factor The Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors of Production 238 • Determination of Factor | Summer 224 & Consents for Povious 225 & Furth | Discrimination ● Discrimination by Exclusion ● Taste | | |
| Discussion 225 ● PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth Income 230 ● Factor Incomes vs. Personal Incomes ● Role of Government ● Wealth 231 ● B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 ● Demands for Factors Are Derived Demands • Demands for Factors Are Derived Demands • Demands for Factors Are The Demand for Factors of Production 236 ● Factor Demands for Profit-Maximizing Firms ● Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 ● Determination of Factors Economic Discrimination Against Women 263 ● Empirical Evidence 263 ● Reducing Labor Market Discrimination 264 ● Uneven Progress ● Empirical Evidence 263 ● Reducing Labor Market Discrimination 264 ● Uneven Progress ● Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 14 Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● Empirical Evidence 263 ● Reducing Labor Market Discrimination 264 ● Uneven Progress ● Chapter 14 Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● Empirical Evidence 263 ● Reducing Labor Market Discrimination 264 ● Uneven Progress ● Chapter 14 Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● Empirical Evidence 263 ● Reducing Labor Market Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● Empirical Evidence 263 ● Reducing Labor Market Land, Natural Resources 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● Economic Discribed Concepts 4 ● Uneven Progress ■ Categories 268 ● Fixed Land and Re | Booding and Internet Websites 225 • Questions for | | | |
| PART THREE FACTOR MARKETS: LABOR, LAND, AND CAPITAL 227 Chapter 12 How Markets Determine Incomes A. Income and Wealth Income 230 ● Factor Incomes vs. Personal Incomes Role of Government ● Wealth 231 ● B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 ● Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors of Production 238 ● Determination of Factors Empirical Evidence 263 ● Reducing Labor Market Discrimination 264 ● Uneven Progress Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 14 Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● B. Input Pricing by Marginal Productivity The Nature of Factor Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factor Empirical Evidence 263 ● Reducing Labor Market Discrimination 264 ● Uneven Progress Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 14 Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● B. Input Pricing by Marginal Productivity Externalities 271 ● Public vs. Private Goods ● Market Inefficiency with Externalities 272 ● Analysis of Inefficiency with Externalities 272 ● Analysis of Pollution ● Policies to Correct Externalities 275 ● Government Programs ● Private Approaches ● Climate Change: To Slow or Not to Slow 278 ● Quarrel and Pollute, or Reason and Compute? ● | | | | |
| Discrimination 264 ● Uneven Progress ● Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 12 How Markets Determine Incomes A. Income and Wealth Income 230 ● Factor Incomes vs. Personal Incomes ● Role of Government ● Wealth 231 ● B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 ● Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factor Discrimination 264 ● Uneven Progress ● Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 14 Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● B. Input Pricing by Marginal Productivity 232 The Nature of Factor Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product 236 ● Factor Demands for Factors ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factor | Discussion 223 C | Empirical Evidence 263 • Reducing Labor Market | | |
| Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 12 How Markets Determine Incomes A. Income and Wealth Income 230 ● Factor Incomes vs. Personal Incomes Role of Government ● Wealth 231 ● B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 ● Demands for Factors Are Derived Demands ● Demands for Factors Are Denived Demands ● Demands for Factors Are Denived Demands of Production 236 ● Factor Demands for Product 235 ● Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factors Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 14 Land, Natural Resources, and the Environment 267 Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● B. Input Pricing by Marginal Productivity 232 B. Environmental Economics Externalities 271 ● Public vs. Private Goods ● Market Inefficiency with Externalities 272 ● Analysis of Inefficiency with Externalities 272 ● Analysis of Pollution ● Policies to Correct Externalities 275 ● Government Programs ● Private Approaches ● Climate Change: To Slow or Not to Slow 278 ● Quarrel and Pollute, or Reason and Compute? ● | PART THREE | | | |
| Chapter 12 How Markets Determine Incomes A. Income and Wealth Income 230 ● Factor Incomes vs. Personal Incomes Role of Government ● Wealth 231 ● B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 ● Demands for Factors Are Derived Demands ● Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factors Summary 264 ● Concepts for Review 265 ● Further Reading and Internet Websites 265 ● Questions for Discussion 266 ● Chapter 14 Land, Natural Resources, and the Environment 267 A. The Economics of Natural Resources Resource Categories 268 ● Fixed Land and Rents 269 ● Rent as Return to Fixed Factors ● Taxing Land ● B. Environmental Economics Externalities 271 ● Public vs. Private Goods ● Market Inefficiency with Externalities 272 ● Analysis of Inefficiency ● Valuing Damages ● Graphical Analysis of Pollution ● Policies to Correct Externalities 275 ● Government Programs ● Private Approaches ● Climate Change: To Slow or Not to Slow 278 ● Quarrel and Pollute, or Reason and Compute? ● | | 2.500.500.500.500.500.500.500.500.500.50 | | |
| Chapter 12 How Markets Determine Incomes 229 A. Income and Wealth Income 230 • Factor Incomes vs. Personal Incomes Role of Government • Wealth 231 • B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 • Demands for Factors Are Derived Demands • Demands for Factors Are Interdependent • Distribution Theory and Marginal Revenue Product 235 • Marginal Revenue Product 236 • Factor Demands for Factors of Production 236 • Factor Demands for Factors of Production 236 • Factor Demands for Factors of Production 238 • Determination of Factor Product 238 • Determination of Factor Demands of Production 238 • Determination of Production 238 • Demands of Production 238 • Demands of Production 238 • Demands of Production 238 • D | | Summary 264 ● Concepts for Review 265 ● Further | | |
| A. Income and Wealth Income 230 • Factor Incomes vs. Personal Incomes Role of Government • Wealth 231 • B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 • Demands for Factors Are Derived Demands • Distribution Theory and Marginal Revenue Product 235 • Marginal Revenue Product 235 • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor Land, Natural Resources, and the Environment 267 A. The Economics of Natural Resources Resource Categories 268 • Fixed Land and Rents 269 • Rent as Return to Fixed Factors • Taxing Land • B. Environmental Economics Externalities 271 • Public vs. Private Goods • Market Inefficiency with Externalities 272 • Analysis of Inefficiency • Valuing Damages • Graphical Analysis of Pollution • Policies to Correct Externalities 275 • Government Programs • Private Approaches • Climate Change: To Slow or Not to Slow 278 • Quarrel and Pollute, or Reason and Compute? • | | | | |
| A. Income and Wealth Income 230 • Factor Incomes vs. Personal Incomes Role of Government • Wealth 231 • B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 • Demands for Factors Are Derived Demands • Demands for Factors Are Interdependent • Distribution Theory and Marginal Revenue Product 235 • Marginal Revenue Product • The Demand for Factors of Production 236 • Factor Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor | | | | |
| Income 230 • Factor Incomes vs. Personal Incomes Role of Government • Wealth 231 • B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 • Demands for Factors Are Derived Demands • Demands for Factors Are Interdependent • Distribution Theory and Marginal Revenue Product 235 • Marginal Revenue Product • The Demand for Factors of Production 236 • Factor Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor | How markets Determine incomes | Land, Natural Resources, and the Environment 207 | | |
| Rent as Return to Fixed Factors • Taxing Land • B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 • Demands for Factors Are Derived Demands • Demands for Factors Are Interdependent • Distribution Theory and Marginal Revenue Product 235 • Marginal Revenue Product • The Demand for Factors of Production 236 • Factor Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor | | 229 A. The Economics of Natural Resources 267 | | |
| B. Input Pricing by Marginal Productivity The Nature of Factor Demands 233 ● Demands for Factors Are Derived Demands ● Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product ● The Demand for Factors of Production 236 ● Factor Demands for Profit-Maximizing Firms ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factor | | Resource Categories 268 ● Fixed Land and Rents 269 ● | | |
| The Nature of Factor Demands 233 ● Demands for Factors Are Derived Demands ● Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product ● The Demand for Factors of Production 236 ● Factor Demands for Profit-Maximizing Firms ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factor | Role of Government ● Wealth 231 ● | Rent as Return to Fixed Factors ● Taxing Land ● | | |
| The Nature of Factor Demands 233 ● Demands for Factors Are Derived Demands ● Demands for Factors Are Interdependent ● Distribution Theory and Marginal Revenue Product 235 ● Marginal Revenue Product ● The Demand for Factors of Production 236 ● Factor Demands for Profit-Maximizing Firms ● Marginal Revenue Product and the Demand for Factors ● Supply of Factors of Production 238 ● Determination of Factor | B. Input Pricing by Marginal Productivity | 232 B. Environmental Economics 271 | | |
| Are Interdependent • Distribution Theory and Marginal Revenue Product 235 • Marginal Revenue Product • The Demand for Factors of Production 236 • Factor Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor | The Nature of Factor Demands 233 ● Demands for | | | |
| Revenue Product 235 • Marginal Revenue Product • of Pollution • Policies to Correct Externalities 275 • Government Programs • Private Approaches • Climate Change: To Slow or Not to Slow 278 • Quarrel and Pollute, or Reason and Compute? • of Factors of Production 238 • Determination of Factor | | | | |
| The Demand for Factors of Production 236 • Factor Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor | | | | |
| Demands for Profit-Maximizing Firms • Marginal Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor | | | | |
| Revenue Product and the Demand for Factors • Supply of Factors of Production 238 • Determination of Factor | | | | |
| of Factors of Production 238 • Determination of Factor | Demands for Profit-Maximizing Firms • Marginal | | | |
| Prices by Supply and Demand 239 • The Distribution of Summary 280 • Concepts for Review 281 • Further | | | | |
| | | of Summary 280 • Concepts for Review 281 • Further | | |

Reading and Internet Websites 281 ● Questions for

Discussion 281 •

Prices by Supply and Demand 239 ● The Distribution of National Income 241 ● Marginal-Productivity Theory with

Many Inputs • An Invisible Hand for Incomes? 243 •

| | Communication to Tourism & Falami Tourism 914 & |
|---|--|
| Chapter 15 Capital, Interest, and Profits | Compromises in Taxation • Federal Taxation 314 • The Individual Income Tax • Social Insurance Taxes • Corporation Taxes • Consumption Taxes • State and |
| A. Basic Concepts of Interest and Capital What Is Capital? ● Prices and Rentals on Investments Capital vs. Financial Assets ● The Rate of Return on Investments ● Rates of Return and Interest Rates 284 Rate of Return on Capital ● Financial Assets and Interest Rates ● The Present Value of Assets 285 ● Present Value for Perpetuities ● General Formula for Present Value ● Acting to Maximize Present Value ● The Mysterious World of Interest Rates 287 ● Real vs. Nominal Interest Rates ● | Final Word 320 |
| B. The Theory of Capital, Profits, and Interest Basic Capital Theory 291 Roundaboutness | Chapter 17 Efficiency vs. Equality: The Big Tradeoff 323 |
| Diminishing Returns and the Demand for Capital • Determination of Interest and the Return on Capital • Graphical Analysis of the Return on Capital • Profits a Return to Capital 295 • Reported Profit Statistics • Determinants of Profits • Empirical Evidence on Returns to Labor and Capital • | |
| Summary 297 • Concepts for Review 298 • Furth Reading and Internet Websites 298 • Questions for Discussion 299 • PART FOUR APPLICATIONS OF ECONOMIC PRINCIPLES 301 | The Rise of the Welfare State • The Costs of Redistribution 331 • Redistribution Costs in Diagrams How Big Are the Leaks? • Adding Up the Leaks • Antipoverty Policies: Programs and Criticisms 333 • Income-Security Programs • Incentive Problems of the Poor • The Battle over Welfare Reform 334 • Two Views of Poverty • Income-Support Programs in the United States Today • The Earned-Income Tax |
| | Credit ● The 1996 U.S. Welfare Reform ● Economic Policy for the 21st Century 336 ● |
| | s |
| Improving Economic Efficiency • Reducing Economic Inequality • Stabilizing the Economy through Macroeconomic Policies • Conducting International | |
| Economic Policy • Public-Choice Theory 308 • B. Government Expenditures Fiscal Federalism 309 • Federal Expenditures • State | |
| and Local Expenditures ● Cultural and Technological Impacts 311 ● | |
| C. Economic Aspects of Taxation | B. Comparative Advantage among Nations 34 312 The Principle of Comparative Advantage 341 ● |

Principles of Taxation 312 ● Benefit vs. Ability-to-Pay Principles ● Horizontal and Vertical Equity ● Pragmatic Uncommon Sense • Ricardo's Analysis of Comparative

Advantage • The Economic Gains from Trade •

Outsourcing as Another Kind of Trade • Graphical Analysis of Comparative Advantage 344 • America without Trade • Opening Up to Trade • Extensions to Many Commodities and Countries 347 • Many Commodities • Many Countries • Triangular and Multilateral Trade • Qualifications and Conclusions 348 •

C. Protectionism

349

Supply-and-Demand Analysis of Trade and Tariffs 350 • Free Trade vs. No Trade • Trade Barriers • The Economic Costs of Tariffs • The Economics of Protectionism 355 ● Noneconomic Goals ● Unsound Grounds for Tariffs • Potentially Valid Arguments for Protection • Other Barriers to Trade • Multilateral Trade Negotiations 359 • Negotiating Free Trade • Appraisal •

Summary 361 ● Concepts for Review 362 ● Further Reading and Internet Websites 362 • Questions for Discussion 363 •

PART FIVE MACROECONOMICS: ECONOMIC **GROWTH AND BUSINESS CYCLES** 365

408

Chapter 19 Overview of Macroeconomics 367

A. Key Concepts of Macroeconomics

The Birth of Macroeconomics 368 • Objectives and Instruments of Macroeconomics 370 • Measuring Economic Success • The Tools of Macroeconomic Policy • International Linkages 376 •

B. Aggregate Supply and Demand

377

368

Inside the Macroeconomy: Aggregate Supply and **Demand 377** ● Definitions of Aggregate Supply and Demand • Aggregate Supply and Demand Curves • Macroeconomic History: 1900-2008 380 ● The Role of Macroeconomic Policy •

Summary 382 ● Concepts for Review 383 ● Further Reading and Internet Websites 383 • Questions for Discussion 384 •

Appendix 19

Macroeconomic Data for the United States

385

Chapter 20

Measuring Economic Activity

386

Gross Domestic Product: The Yardstick of an Economy's **Performance 386** ● Two Measures of National Product: Goods Flow and Earnings Flow • National Accounts Derived from Business Accounts • The Problem of "Double Counting" . Details of the National Accounts 391 • Real vs. Nominal GDP: "Deflating" GDP by a Price Index • Consumption • Investment and Capital Formation • Government Purchases • Net Exports • Gross Domestic Product, Net Domestic Product, and Gross National Product • GDP and NDP: A Look at Numbers • From GDP to Disposable Income • Saving and Investment • Beyond the National Accounts 400 • Price Indexes and Inflation 402 • Price Indexes • Accounting Assessment 404 •

Summary 405 ● Concepts for Review 406 ● Further Reading and Internet Websites 406 • Questions for Discussion 406 •

Chapter 21

Consumption and Investment

408

A. Consumption and Saving

Budgetary Expenditure Patterns • Consumption, Income, and Saving 411 • The Consumption Function • The Saving Function • The Marginal Propensity to Consume • The Marginal Propensity to Save • Brief Review of Definitions • National Consumption Behavior 416 ● Determinants of Consumption ● The National Consumption Function • Alternative Measures of Saving •

B. Investment

420

Determinants of Investment 420 ● Revenues ● Costs ● Expectations • The Investment Demand Curve 421 • Shifts in the Investment Demand Curve • On to the Theory of Aggregate Demand 424 •

Summary 424 • Concepts for Review 425 • Further Reading and Internet Websites 425 • Questions for Discussion 426 •

Chapter 22

Business Cycles and Aggregate Demand

428

A. What Are Business Cycles?

429

Features of the Business Cycle 429 • Business-Cycle Theories 431 • Financial Crises and Business Cycles •

475

475

B. Aggregate Demand and Business Cycles

The Theory of Aggregate Demand 432 • The

Downward-Sloping Aggregate Demand Curve 433 ● Shifts in Aggregate Demand **●** Business Cycles and

| Aggregate Demand • Is the Business Cycle Avoidable? | The Essential Elements of Central Banking 476 • History • Structure • Goals of Central Banks • Functions of |
|--|--|
| | the Federal Reserve • Central-Bank Independence • |
| Output Determined by Total Expenditures 437 | How the Central Bank Determines Short-Term Interest |
| Reminder on the Meaning of Equilibrium • The | Rates 478 • Overview of the Fed's Operations • |
| Adjustment Mechanism • A Numerical Analysis • The | Balance Sheet of the Federal Reserve Banks • Operating |
| Multiplier 440 ● The Multiplier Model Compared with | Procedures • How the Federal Reserve Affects |
| the AS-AD Model • | Bank Reserves 479 ● Open-Market Operations ● |
| | Discount-Window Policy: A Backstop for Open-Market |
| D. Fiscal Policy in the Multiplier Model 44 | Operations • The Role of Reserve Requirements • |
| How Government Fiscal Policies Affect Output 442 • | Determination of the Federal Funds Rate |
| Impact of Taxation on Aggregate Demand • A | Determination of the reactar rands have |
| Numerical Example • Fiscal-Policy Multipliers 446 • | B. The Monetary Transmission Mechanism 484 |
| Impact of Taxes • The Multiplier Model and the | A Summary Statement • The Effect of Changes in |
| Business Cycle • The Multiplier Model in Perspective • | Monetary Policy on Output The Challenge of |
| | a Liquidity Trap Monetary Policy in the AS-AD |
| Summary 449 • Concepts for Review 450 • Furthe | Framework • Monetary Policy in the Long Run • |
| Reading and Internet Websites 451 • Questions for | Trainerson & Informatic Folia, in the Bong Run & |
| Discussion 451 • | C. Applications of Monetary Economics 489 |
| | Monetarism and the Quantity Theory of Money and |
| | Prices 489 ● The Roots of Monetarism ● The Equation |
| | of Exchange and the Velocity of Money • The Quantity |
| Chapter 23 | Theory of Prices Modern Monetarism The |
| Money and the Financial System 45 | Monetarist Platform: Constant Money Growth • The |
| Overview of the Monetary Transmission Mechanism | Monetarist Experiment • The Decline of Monetarism • |
| | Monetary Policy in an Open Economy 493 • |
| A. The Modern Financial System 45 | International Linkages • Monetary Transmission in |
| The Role of the Financial System • The Functions of | the Open Economy 404 . From Aggregate Domand to |
| the Financial System • The Flow of Funds • A Menu o | Aggregate Supply 495 • |
| Financial Assets 456 ● Review of Interest Rates ● | Aggregate Supply 495 |
| P. The Shadel Comments | Summary 495 • Concepts for Review 496 • Further |
| B. The Special Case of Money 45 | Reading and internet websites 497 • Questions for |
| The Evolution of Money 458 • The History of Money • | Discussion 497 • |
| Components of the Money Supply • The Demand | |
| for Money 461 ● Money's Functions ● The Costs of | DADT ON |
| Holding Money ● Two Sources of Money Demand ● | PART SIX |
| | GROWTH, DEVELOPMENT, |
| C. Banks and the Supply of Money 46 | ALLE THE GEODAL ECONOTII |
| How Banks Developed from Goldsmith Establishments | 499 |
| Fractional-Reserve Banking • Final System | |
| Equilibrium • A Modern Banking System • | |
| | Chapter 25 |
| D. The Stock Market 46 | 5 Economic Growth 501 |
| Risk and Return on Different Assets Bubbles and | The Long-Term Significance of Growth ● |
| Crashes • Efficient Markets and the Random Walk • | o o |
| Personal Financial Strategies 470 • | A. Theories of Economic Growth 502 |
| | The Four Wheels of Growth 502 • Human Resources • |
| Summary 471 ● Concepts for Review 472 ● Further | Natural Resources • Capital • Technological Change |
| Reading and Internet Websites 473 • Questions for | and Innovation • Theories of Economic Growth 506 • |
| Discussion 473 • | The Classical Dynamics of Smith and Malthus • |
| | And the second s |
| | |

432

Chapter 24

Monetary Policy and the Economy

A. Central Banking and the Federal Reserve System

| Economic Growth with Capital Accumulation: The |
|--|
| Neoclassical Growth Model Geometrical Analysis |
| of the Neoclassical Model • The Central Role of |
| Technological Change . Technological Change as an |
| Economic Output • |

B. The Patterns of Growth in the United States

The Facts of Economic Growth ● Relationship of the
Seven Trends to Economic-Growth Theories ● The
Sources of Economic Growth ● Recent Trends in

Productivity 516 ● The Productivity Rebound ●

Summary 518 ● Concepts for Review 519 ● Further Reading and Internet Websites 519 ● Questions for Discussion 520 ●

Chapter 26 The Challenge of Economic Development

A. Population Growth and Development 521

Malthus and the Dismal Science 521 ● Limits to Growth and Neo-Malthusianism ●

B. Economic Growth in Poor Countries

Aspects of a Developing Country 524 ●

Human Development ● The Four Elements

in Development 525 ● Human Resources ● Natural

Resources ● Capital ● Technological Change and

Innovations ● Vicious Cycles to Virtuous Circles ●

Strategies of Economic Development 531 ● The

Backwardness Hypothesis ● Industrialization

vs. Agriculture ● State vs. Market ● Growth and

Outward Orientation ● Summary Judgment ●

C. Alternative Models for Development

A Bouquet of "ISMS" 533 ● The Central Dilemma:

Market vs. Command ● The Asian Models 534 ● Asian

Dragons ● The Rise of China ● Socialism 535 ● The

Failed Model: Centrally Planned Economies 536 ●

Baleful Prophesies ● From Textbooks to Tactics: Soviet
Style Command Economy ● From Marx to Market ● A

Final Note of Cautious Optimism ●

Summary 539 ● Concepts for Review 540 ● Further Reading and Internet Websites 540 ● Questions for Discussion 541 ●

Chapter 27 Exchange Rates and the International Financial System 543 Trends in Foreign Trade 544 ●

A. The Balance of International Payments

Balance-of-Payments Accounts 545 ● Debits and

Credits ● Details of the Balance of Payments ●

B. The Determination of Foreign Exchange Rates 548

Foreign Exchange Rates 548 ● The Foreign Exchange

Market 549 ● Effects of Changes in Trade ● Exchange

Rates and the Balance of Payments ● Purchasing-Power

Parity and Exchange Rates ●

C. The International Monetary System

Fixed Exchange Rates: The Classical Gold

Standard 554 ● Hume's Adjustment Mechanism ●

Updating Hume to Modern Macroeconomics ●

International Monetary Institutions After World

War II 557 ● The International Monetary Fund ●

The World Bank ● The Bretton Woods System ●

Intervention ● Flexible Exchange Rates 559 ● Today's

Hybrid System 560 ● Concluding Thoughts ●

Summary 560 ● Concepts for Review 561 ● Further Reading and Internet Websites 562 ● Questions for Discussion 562 ●

Chapter 28 Open-Economy Macroeconomics

521

524

564

A. Foreign Trade and Economic Activity

Net Exports and Output in the Open Economy ●

Determinants of Trade and Net Exports ● Short-Run

Impact of Trade on GDP 566 ● The Marginal Propensity
to Import and the Spending Line ● The Open-Economy

Multiplier ● Trade and Finance for the United States

Under Flexible Exchange Rates 569 ● The Monetary

Transmission Mechanism in an Open Economy 571 ●

B. Interdependence in the Global Economy 574
■ Saving and Investment in the Open Economy 574
■ Determination of Saving and Investment at Full Employment
■ Promoting Growth in the Open Economy 578
■

C. International Economic Issues

Competitiveness and Productivity 580 ● "The
Deindustrialization of America" ● Trends in
Productivity ● The European Monetary Union 581 ●
Toward a Common Currency: The Euro ● Costs and
Benefits of Monetary Union ● Final Assessment 583 ●

Summary 583 ● Concepts for Review 585 ● Further Reading and Internet Websites 585 ● Questions for Discussion 585 ●

PART SEVEN UNEMPLOYMENT, INFLATION, AND ECONOMIC POLICY 587

| Chapter 29 | |
|----------------------------------|--|
| Unemployment and the Foundations | |
| of Aggregate Supply | |

A. The Foundations of Aggregate Supply 589

Determinants of Aggregate Supply 590 ● Potential

Output ● Input Costs ● Aggregate Supply in the Short

Run and Long Run 593 ● Sticky Wages and Prices and
the Upward-Sloping AS Curve ●

B. Unemployment

Measuring Unemployment 595 • Impact of
Unemployment 595 • Economic Impact • Social
Impact • Okun's Law 597 • Economic Interpretation
of Unemployment 597 • Equilibrium Unemployment •
Disequilibrium Unemployment • Microeconomic
Foundations of Inflexible Wages • Labor Market
Issues 601 • Who Are the Unemployed? • Duration
of Unemployment • Sources of Joblessness •
Unemployment by Age •

Summary 606 ● Concepts for Review 607 ● Further Reading and Internet Websites 607 ● Questions for Discussion 607 ●

Chapter 30 Inflation 609

A. Definition and Impact of Inflation
What Is Inflation? 609 ● The History of Inflation ●
Three Strains of Inflation ● Anticipated vs.
Unanticipated Inflation ● The Economic Impacts
of Inflation 614 ● Impacts on Income and Wealth
Distribution ● Impacts on Economic Efficiency ●
Macroeconomic Impacts ● What Is the Optimal Rate of
Inflation? ●

B. Modern Inflation Theory

Prices in the AS-AD Framework 617 ● Expected
Inflation ● Demand-Pull Inflation ● Cost-Push Inflation
and "Stagflation" ● Expectations and Inflation ● Price
Levels vs. Inflation ● The Phillips Curve 620 ● ShortRun Phillips Curve ● The Nonaccelerating Inflation Rate
of Unemployment ● From Short Run to Long Run ●
The Vertical Long-Run Phillips Curve ● Quantitative
Estimates ● Doubts about the NAIRU ● Review ●

C. Dilemmas of Anti-Inflation Policy How Long Is the Long Run? How Much Does It Cost to Polyco Inflation? Conditions and Inflation

to Reduce Inflation? • Credibility and Inflation • Policies to Lower Unemployment •

Summary 627 ● Concepts for Review 628 ● Further Reading and Internet Websites 628 ● Questions for Discussion 629 ●

Chapter 3 I Frontiers of Macroeconomics

630

A. The Economic Consequences of the Government Debt

589

630

Fiscal History 631 • Government Budget Policy 632 • Actual, Structural, and Cyclical Budgets • The Economics of the Debt and Deficits 633 • The Short-Run Impact of Government Deficits 633 • Short Run vs. Long Run • Fiscal Policy and the Multiplier Model • Government Debt and Economic Growth 634 • Historical Trends • External vs. Internal Debt • Efficiency Losses from Taxation • Displacement of Capital • Debt and Growth •

B. Advances in Modern Macroeconomics 638 Classical Macroeconomics and Say's Law 639 • Say's Law of Markets • Modern Classical Macroeconomics 639 • Rational Expectations • Real Business Cycles • The Ricardian View of Fiscal Policy • Efficiency Wages • Supply-Side Economics • Policy Implications 642 • Policy Ineffectiveness • The Desirability of Fixed Rules • A New Synthesis? •

C. Stabilizing the Economy

643

The Interaction of Monetary and Fiscal Policies 643 • Demand Management • The Fiscal-Monetary Mix • Rules vs. Discretion 646 • Budget Constraints on Legislatures? • Monetary Rules for the Fed? •

D. Economic Growth and Human Welfare 648 The Spirit of Enterprise 649 ● Fostering Technological Advance ●

Summary 650 ● Concepts for Review 652 ● Further Reading and Internet Websites 652 ● Questions for Discussion 652 ●

Glossary of Terms 654 Index 677