BRIEF CONTENTS

Preface	xxxi
CHAPTER 1 The Big Ideas	1
CHAPTER 2 The Power of Trade and Comparative Advantage	13
Part I: Supply and Demand	
CHAPTER 3 Supply and Demand	29
CHAPTER 4 Equilibrium	
CHAPTER 5 Elasticity and Its Applications	
CHAPTER 6 Taxes and Subsidies	
Part 2: The Price System	
CHAPTER 7 The Price System: Signals, Speculation, and Prediction	119
CHAPTER 8 Price Ceilings and Floors	137
CHAPTER 9 International Trade	167
CHAPTER 10 Externalities: When the Price Is Not Right	183
Part 3: Firms and Factor Markets	
CHAPTER 11 Costs and Profit Maximization Under Competition	
CHAPTER 12 Competition and the Invisible Hand CHAPTER 13 Monopoly	
CHAPTER 14 Price Discrimination and Pricing Strategy	269
CHAPTER 14 Price Discrimination and Pricing Strategy CHAPTER 15 Oligopoly and Game Theory	291
CHAPTER 16 Competing for Monopoly: The Economics of	ticals. H
CHAPTER 17 Monopolistic Competition and Advertising	329
CHAPTER 18 Labor Markets	341
Part 4: Government	
CHAPTER 19 Public Goods and the Tragedy of the Commons	347
CHAPTER 20 Political Economy and Public Choice	
LOAFTEN CL CONOMICS FINICS AND FUDIIC FOIICY	407

Part 5: Decision Making for Businesses, Investors, and Consumers CHAPTER 24 Asymmetric Information: Moral Hazard and Part 6: Economic Growth CHAPTER 28 Growth, Capital Accumulation, and the Economics of Ideas: Catching Up vs. the Cutting Edge555 Part 7: Business Fluctuations CHAPTER 31 Inflation and the Quantity Theory of Money.......649 CHAPTER 32 Business Fluctuations: Aggregate Demand and Supply.......... 671 CHAPTER 33 Transmission and Amplification Mechanisms701 Part 8: Macroeconomic Policy and Institutions **CHAPTER 34** The Federal Reserve System and

	The Foderal Eddgeth rance and opening
CHAPTER 37	Fiscal Policy

Part !	9:	International	Economics	

CHAPTER 38	International	Finance 81	11

APPENDIX A	Reading Graphs and Making Graphs A	-1
APPENDIX B	Solutions to Check Yourself QuestionsB	-1

Glossary G-1

References R-1

Index I-1

CONTENTS

Residence Marki	
Preface xxxi	
CHAPTER 1 The Big Ideas	What Shifts the Supply Curve? 40
Big Idea One: Incentives Matter 2	
Big Idea Two: Good Institutions Aligr Interest 2	Self-Interest with the Social
Big Idea Three: Trade-offs Are Every	
Opportunity Cost 4	Marginal Revolution University Videos 49
Big Idea Four: Thinking on the Margi	CHAPTER 4 Equilibrium
Big Idea Five: The Power of Trade 5	
Big Idea Six: The Importance of Wea	
Big Idea Seven: Institutions Matter 7	
Big Idea Eight: Economic Booms and but Can Be Moderated 8	Busts Cannot Be Avoided
Big Idea Nine: Inflation Is Caused by	Increases in the Supply of Money 9
Big Idea Ten: Central Banking Is a Ha	ard Job 9
The Biggest Idea of All: Economics Is	s Fun 10
Chapter Review 11	
Marginal Revolution University Videos 12	
CHAPTER 2 The Power of Trade and	
Trade and Preferences 13	
Specialization, Productivity, and the I	Division of Knowledge 14
C 1	
The Production Possibility Frontier 16	The Elasticity of Demand 71.
Opportunity Costs and Comparative A	dvantage 16
Comparative Advantage and Wages 1	Calculating the Elasticity of Demand 74
Adam Smith on Trade 21	
Trade and Globalization 21	
Takeaway 21	
Chapter Review 22	
Work It Out 25 One Another 120	
Marginal Payalution University Videos 27	

Part I: Supply and Demand	
CHAPTER 3 Supply and Demand	29
The Demand Curve for Oil 29	
Consumer Surplus 32	
What Shifts the Demand Curve? 33	
Important Demand Shifters 33	
The Supply Curve for Oil 36	
Producer Surplus 39	
What Shifts the Supply Curve? 10	
Important Supply Shiftors 40	
Takeaway 44	
Chapter Review 45	
Three: Trade-offs Are Everywhere 3 Pt 10 tl AroW	
Marginal Revolution University Videos 49	
our: Thinking on the Margin 5	
CHAPTER 4 Equilibrium	51
Equilibrium and the Adjustment Process 51	
Who Competes with Whom? 53	
A Free Market Maximizes Producer Plus Consumer Surplus (the Ga from Trade) 53	ains
Does the Model Work? Evidence from the Laboratory 56	
Shifting Demand and Supply Curves 58	
Terminology: Demand Compared with Quantity Demanded and S Compared with Quantity Supplied 61	Supply
Takeaway 64 St goobiV utiersvinU noitulov	
Work It Out 20	
Marginal Revolution Videos and Problems 70	
rion, Productivity and the DV elliption Productivity and the DV	
CHAPTER 5 Elasticity and Its Applications 3 Specific Vol 4 Svil	
The Elasticity of Demand 71	
Determinants of the Elasticity of Demand 72	
Calculating the Elasticity of Demand 74	
Total Revenues and the Elasticity of Demand 76	
Applications of Demand Elasticity 78	
Tiow American Farmers have worked memselves Out of a Job. 76	
y and that on I had to that to the to	
The Elasticity of Supply 81	
Determinants of the Elasticity of Supply 82 209bit unlawful noticious	
Calculating the Elasticity of Supply 83	

Applications of Supply Elasticity 84 mens migu beggs Wisnels at a bing A	
Gun Buyback Programs 84	
The Economics of Slave Redemption 86 821 gnidotsW Ising 8	
Using Elasticities for Quick Predictions (Optional) 89 How Much Would the Price of Oil Fall If the Arctic National Wildlife Refuge Were	
Opened Up for Drilling? 89	
Takeaway 90	
Chapter Review 91 Work It Out 95	
Marginal Revolution University Videos 96	
CHAPTER E ARRENDIN	
Other Types of Elasticities 97	
The Cross-Price Elasticity of Demand 97	
The Income Elasticity of Demand 97	
Lost Gains from Trade (Deadweight Loss) 141	
CHAPTER 6 Taxes and Subsidies99)
Commodity Taxes 100 Stremally Problems & Plegnille 2 son9 to bn3 sdT	
Who Ultimately Pays the Tax Does Not Depend on Who Writes the Check 100	
Who Ultimately Pays the Tax Depends on the Relative Elasticities of Supply and Demand 102	
Health Insurance Mandates and Tax Analysis 104	
\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	
A Commodity Tax Raises Revenue and Reduces the Gains from Trade (Creates a Deadweight Loss) 106	
Elasticity and Deadweight Loss 108	
Subsidies 109 Su	
King Cotton and the Deadweight Loss of Water Subsidies 110	
Wage Subsidies 111	
Takeaway 112 of the Misallocation of Resources 158	
Chapter Review 113 and Ignore Fixed Costs in the Short Run 205 821 yeweste	
Work It Out 118 poortunity Costs 206 - 921 weived retreat	
Marginal Revolution University Videos 118	
Part 2: The Price System 212	
CHAPTER 7 The Price System: Signals, Speculation,	9
Markets Link the World 119 881 vigau2 bns bnsme	
Markets Link to One Another 120 From Oil to Candy Bars and Brick Driveways 120 best mediated but a second by the common second by the c	
Solving the Great Economic Problem 121	

A Price Is a Signal Wrapped Up in an Ince	entive 124 viggue to anotheritory
Speculation 125	
Signal Watching 128	
Takeaway 130	
Chapter Review 131	
Work It Out 135	
The Supply Curve for Oil 36	
Marginal Revolution University Videos 135	
CHAPTER 8 Price Ceilings and Floors	13 Pinal Revolution University Videos
Price Ceilings 137	HAPTER 5 APPENDIX
Shortages 138	
Wasteful Lines and Other Search Costs 139	
Lost Gains from Trade (Deadweight Loss) 14	1
Misallocation of Resources 142	
The End of Price Ceilings 146	
Does UBER Price Gouge? 147	Who Ultimately Pays the Tax Roes
Rent Controls (Optional Section) 148	
THE PROGRAMMENT OF THE PROGRAMME	Who Ultimately Pays the Tax Depo of Supply and Demand 102
Reductions in Product Quality 149	
Wasteful Lines, Search Costs, and Lost Gains	from Trade 150
Misallocation of Resources 151	
Rent Regulation 151	
Arguments for Price Ceilings 151	
Price Floors 153	
Surpluses 154	
Lost Gains from Trade (Deadweight Loss) 15	Wage Subsidies 111
Wasteful Increases in Quality 156 The Misallocation of Resources 158	
Takeaway 158	
Chapter Review 159	
Work It Out 165	
Marginal Revolution University Videos 166	Part 2: The Price System
CHAPTER 9 International Trade	
Analyzing Trade with Supply and Demand	
Analyzing Tariffs with Demand and Supply 10	
The Lieutery of Supply D	
Winners and Losers from Trade 172	

Arguments Against International Trade 173	Takeaway 221
Trade and Jobs 173	
Child Labor 174	
Trade and National Security 176	
Key Industries 177	
Strategic Trade Protectionism 177	
Takeaway 178 Cable TV 280	
Chapter Review 178 book a political and the poli	
Work It Out 182 Vitable Industry of Total Industry of Table 182	
Marginal Revolution University Videos 182	
ov 2: The Balance of Indigitify Wilessign not utover langual	Invisible Hand Proper
CHAPTER 10 Externalities: When the Price Is Not R	ignt183
External Costs, External Benefits, and Efficiency 184	
External Costs 185 External Benefits 187	
Private Solutions to Externality Problems 189	
Government Solutions to Externality Problems 190 Command and Control 191	
Tradable Allowances 102	
Comparing Tradable Allowances and Pigouvian	
Taxes—Advanced Material 194	
Takeaway 196 AS May eximixed of 19409 19.	
Chapter Review 197 TAS quantity MogonoM and bus but	
WOIK IT OUT 201	
Marginal Revolution University videos 201	
Part 3. Firms and Factor Markets	
The Danger of Price Matching Guarantees 302	Competition 203
CHAPTER 11 Costs and Profit Maximization Under	
What Price to Set? 203	
Waxiiii 200	
Ignore Sunk Costs and Ignore Fixed Costs in the Short Ru Don't Ignore Opportunity Costs 206	Takeaway 260
What Quantity to Produce? 207	
Profits and the Average Cost Curve 210	
The Chart Bun Chutdown Decision 213	
Entry, Exit, and Industry Supply Curves 215	
Increasing Cost Industries 215	
Constant Cost Industries 217	
A Special Case: The Decreasing Cost Industry 220	
Industry Supply Curves: Summary 221	

Takeaway 221 al Wrapped Up SV Anabas Filanoide	
Chapter Review 222	
Work It Out 228	
Marginal Revolution University Videos 229	
CHAPTER 11 APPENDIX	
Using Excel to Graph Cost Curves 230	Strategic Trade Protectionis akeaway 178
CHAPTER 12 Competition and the Invisible Har	nd233
Invisible Hand Property 1: The Minimization of Tota of Production 233	
Invisible Hand Property 2: The Balance of Industr	ies 236
Creative Destruction 237	
The Invisible Hand Works with Competitive Mark	ets 238
Takeaway 239	External Costs 185 External Benefits 187
Chapter Review 239	
Work It Out 242	
Marginal Payalution University Video 243	
	243
CHAPTER 13 Monopoly	
Reductions in Graduct Quality 149	Taxes—Advanced Materia
How a Firm Uses Market Power to Maximize Profi	
The Elasticity of Demand and the Monopoly Markup The Costs of Monopoly: Deadweight Less 240	Chapter Review 197 142
The Costs of Monopoly: Deadweight Loss 249 The Costs of Monopoly: Corruption and Inefficient	Work It Out 201
The Costs of Monopoly: Corruption and Inefficier	Parentallin linning and thrill fills
The Benefits of Monopoly: Incentives for Researc Patent Buyouts—A Potential Solution? 252	n and Development 251
Sources of Market Power 253	
Regulating Monopoly 255	
Price Controls 255	
Government Ownership 257	
Antitrust Law and Merger Policy 259	
Chapter Review 261	
	Profits and the Average C
Marginal Revolution University Videos 267 and along	
CHAPTER 14 Price Discrimination and Pricing S	trategy269
Price Discrimination 269	
Proventing Aultitures 271	
Price Discrimination Is Common 272	
Universities and Perfect Price Discrimination 274	

Is Price Discrimination Bad? 276 bastan "JashaM edition" a notitie quo
Why Misery Loves Company and How Price Discrimination Helps to Cover Fixed
Costs 277
Music Is a Network Good 322 Part of the Property of the Proper
Tying 278 ds and Public Goods 369
Bundling 279 71 ESE weiveR retreated a service with the service weiveR retreated a service weiveR ret
Bundling and Cable TV 280 and 371
Takeaway 281 ources and the Tragedy of the Commons 372
Chapter Review 282 the Tragedy of the Commons 374 Work It Out 286 Philipped A bas notified mod bitailogonom \$1.9319AH3
Several of Product Differentiation 220
Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 notifierentiation of the Marginal Revolution University Videos 286 286 286 286 286 286 286 286 286 286
Solving Price Discrimination Problems with Excel (Advanced
Section) 287
CHAPTER 15 Oligopoly and Game Theory
Cartels 292 Political Economical Public Septicing Controls 292
The Incentive to Cheat 293
No One Wins the Cheating Game 295
The Prisoner's Dilemma 296
The Prisoner's Dilemma and Repeated Interaction 296
The Prisoner's Dilemma Has Many Applications 298 bas applications and applications 298 bas applications and applications are applications.
Oligopolies 299
When Are Cartels and Oligopolies Most Successful? 300
Government Policy Toward Cartels and Oligopolies 301
Government-Supported Cartels 301
Business Strategy and Changing the Game 302
The Danger of Price Matching Guarantees 302
When They Do the Same Job? 345
Other Ways of Changing the Game 305
Compensating Differentials 348 cabin university videos 407 248
Chapter Review 306 Wages? 351
Work It Out 312 PED EMBIRE LINE DOTO PROTEST MINISTER STATE AND ADDED ADDED AND ADDED ADDED ADDED AND ADDED ADDED AND ADDED ADDED AND ADDED AND ADDED ADDED AND ADDED ADDED ADDED AND ADDED AND ADDED AND ADDED AND ADDED AND ADDED AND ADDE
CHAPTER 15 APPENDIX Tring Pollution and Importing Kidneys 410 238 Starts
Nash Equilibrium 313
Marginal Revolution University Videos 316
Why Discrimination Isn't Always Easy to Identify 357
CHAPTER 16 Competing for Monopoly: The Economics of Network Goods
Network Goods Are Usually Sold by Monopolies or Oligopolies 318
The "Best" Product May Not Always Win 318

Competition Is "For the Market" Instead of "In the Market" 320
Limiting Contestability with Switching Costs 321
Antitrust and Network Goods 521
Wusic is a Network Good 322
lakeaway 323 DX
Chapter Review 323 Cost Curves 230 082 VT elds 2 bns philbhu8
Work It Out 326
CHAPTER 17 Monopolistic Competition and Advertising32
Sources of Product Differentiation 330
The Monopolistic Competition Model 331
Is Monopolistic Competition Inefficient? 332
The Economics of Advertising 334
Informative Advertising 334
Advertising as Signaling 335
Advertising Changes Our Tastes 335
Advertising Lowers the Price of Many Products 336
No One Wins the Cheating Game 295
Chapter Review 337
Work It Out 339 Age not parent between and Repeated Interaction 296
Marginal Revolution Videos and Problems 339
CHAPTER 18 Labor Markets
The Demand for Labor and the Marginal Product of Labor 341
Supply of Labor 343
Labor Market Issues 345
Why Do Janitors in the United States Earn More Than Janitors in India Even When They Do the Same Job? 345
Human Capital 346 205 eme 305 of Changing the Game 305
Compensating Differentials 348
Do Unions Raise Wages? 351
How Bad Is Labor Market Discrimination, or Can Lakisha Catch a Break? 352
Statistical Discrimination 352
Preference-Based Discrimination 353
Discrimination by Government 336
Why Discrimination Isn't Always Easy to Identify 357
of Network Goods
Chapter Review 359
WORK IT UUT 364
Marginal Revolution University Videos 365

Part 4: Government 814 noits gimml Satrus O orlW		
CHAPTER 19 Public Goods and the Tragedy of the Commons367		
Four Types of Goods 368		
Private Goods and Public Goods 369		
Club Goods 371		
The Peculiar Case of Advertising 371		
Common Resources and the Tragedy of the Commons 372		
Happy Solutions to the Tragedy of the Commons 374		
CHAPTER 22 Managing Incentives		
Lesson One: You Get What You Pay For 425		
Work It Out 382 onsumer Choice tuff 427		
Marginal Revolution University Videos 382		
Lesson Iwo; He Pay to Penormance to Reduce Risk 429		
The Tragedy of the Commons: How Fast? 383		
The Tragedy of the Commons: How Fast? 303 negmon evilused phivologist and Ability Risk 43264 Agents and Ability Risk 43264 Age		
CHAPTER 20 Political Economy and Public Choice		
Voters and the Incentive to Be Ignorant 386		
Why Rational Ignorance Matters 387		
Special Interests and the Incentive to Be Informed 387		
A Formula for Political Success: Diffuse Costs, Concentrate Benefits 389		
Voter Myopia and Political Business Cycles 391		
Two Cheers for Democracy 393		
The Median Voter Theorem 394 Isnozie 9 bits are his Misboil 25 73 1941		
Democracy and Nondemocracy 396 244 pnitsevni evitsA zv evizse9		
Democracy and Famine 397		
Democracy and Growth 399 North Seriously Alas Alas North Seriously Alas		
Takeaway 400		
Chapter Review 401 MC GTOWMA		
Work It Out 406 DP and the Measurem SRA of leaWally 8 amute 9 bruogmons		
Marginal Revolution University Videos 407 1198 077 10 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9 9		
Other Benefits and Costs of Stock Markets 455		
CHAPTER 21 Economics, Ethics, and Public Policy		
The Case for Exporting Pollution and Importing Kidneys 410		
Exploitation 411		
Meddlesome Preferences 412		
Fair and Equal Treatment 413		
Cultural Goods and Paternalism 413		
Poverty, Inequality, and the Distribution of Income 414 Rawls's Maximin Principle 414		
KOMICC MIOVIMIN PRINCIPIO // I//		
Utilitarianism 415 Robert Nozick's Entitlement Theory 416 gnibivor9 vd bissah laioM gnimonevO		
Utilitarianism 415 511 World Hazard 462		

Who Counts? Immigration 418	
Economic Ethics 419	
Takeaway 420	
Chapter Review 420	
Work It Out 423	
Chapter Review 323	lub Goods 3/1
Part 5: Decision Making for Busine and Consumers	
CHAPTER 22 Managing Incentives	Happy Solutions to the Trage 42
Lesson One: You Get What You Pay For 425	
Prisons for Profit? 427	
Piece Rates vs. Hourly Wages 428	
Lesson Two: Tie Pay to Performance to Reduce Tournament Theory 430	Risk 429
Improving Executive Compensation with Pay for Re Environment Risk and Ability Risk 432 Tournaments and Grades 433	elative Performance 431
Tournaments and Grades 400	
Leader Three. Werley ish't Everything 494	
Work It Out 443	
CHAPTER 23 Stock Markets and Personal Fina	
Why Is It Hard to Beat the Market? 447	
How to Really Pick Stocks, Seriously 449	
Diversify 449	
Avoid High Fees 451	
Compound Returns Build Wealth 452	
The No-Free-Lunch Principle, or No Return Without	: Risk 453
Other Benefits and Costs of Stock Markets 455 Bubble, Bubble, Toil, and Trouble 456	
Takeaway 457 014 avenbi2 gnithogml bns noitu	
Chapter Review 458	exploitation 411
Work It Out 460	
Marginal Revolution Videos and Problems 460	
CHAPTER 24 Asymmetric Information: Moral I Adverse Selection	Hazard and Support 46'
Moral Hazard 462	Utilitarianism 415
Overcoming Moral Hazard by Providing More Inform	
Overcoming Moral Hazard by Creating Better Incen	

Adverse Selection 466
Adverse Selection in Health Insurance 468 Madagaga publicage Isnoits/I edT
Signaling as a Response to Asymmetric Information 471
Signaling in Dating, Marriage, and the Animal Kingdom 473
Is Signaling Good? 474
GDP Does Not Count the Underground Economy 518 scale for 274 unweaker
Chanter Review 476
CUP Does Not Count Bads: Environmental Costs 5 19
Marginal Revolution University Videos 480
CHAPTER 25 Consumer Choice
How to Compare Apples and Oranges 481
The Demand Curve 484
The Budget Constraint 485
Dufarance and Indifference Curios 197
Outinization and Consumer Chaines 190
Optimization and Consumer Choices 489
The Income and Substitution Effects 492
Applications of Income and Substitution Effects 493
Losing Your Ticket 493 How Much Should Costco Charge for Membership? 494
11 6 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
Chapter Review 500
The Ultimate Causes of the Wealth of Nations 543162 women 504 Work It Out
Marginal Revolution University Videos 504
Chapter Review 545 572 amenteeval equal participation of the second of t
Part 6: Economic Growth
CHAPTER 26 GDP and the Measurement of Progress505
What Is GDP? 507
GDP Is the Market Value 507
of All Finished 507
Goods and Services 508 Hallmuss A. Lange D. Hawold RS RETRANS
Tof Ideas: Catching Up vs. the Cutting Edge 807 besubory55
within a Country 509
Capital, Production, and Diminishing Returns 557 200 and 97 says and 1
Growth Rates 509 Growth Equals Investment Minus Depreciation 559 Growth Rates 509
Nominal vs. Real GDP 510 monosa of your entired from a process and a lating of your
The GDP Deflator 511
From Capital Accumulation to Catching-Up Growth 562 115 Atword
Real GDP Growth per Capita 512
Cyclical and Short-Run Changes in GDP 512

The Many Ways of Splitting GDP 514
The National Spending Approach: $Y = C + I + G + (Exports - Imports)$ 514
The Factor Income Approach: Y = Employee Compensation + Rent + Interest + Profit 516
Why Split? 517
Problems with GDP as a Measure of Output and Welfare 518
GDP Does Not Count the Underground Economy 518
GDP Does Not Count Nonpriced Production, 518
GDP Does Not Count Bads: Environmental Costs 519
GDP Does Not Count the Health of Nations 520
GDP Does Not Measure the Distribution of Income 521
Takeaway 522 22 22 22 22 22 22 22 22 22 22 22 22
Chanter Pavious F22
Work It Out 527 Pay to Performance to Reduce Risk 47
Marginal Pavalutian University Videos E27
he Budget Constraint 485 and yet the notice service services and provide the service services and provide the services an
CHAPTER 27 The Wealth of Nations and Economic Growth529
Key Facts About the Wealth of Nations and Economic Growth 530
Fact One: GDP per Capita Varies Enormously Among Nations 530
Fact Two: Everyone Used to Be Poor 531
Fact Three: There Are Growth Miracles and Growth Disasters 533
Summarizing the Facts: Good and Bad News 535 10 001200 bluode doubt woll
Understanding the Wealth of Nations 535
The Factors of Production 535
Incentives and Institutions 537
Institutions 539 Investing 445 002 weiveR regent
The Ultimate Causes of the Wealth of Nations 543
Takeaway 545 lick Stocks, Seriously 4482 sold Videos Videos 184 language 184 langua
Chapter Review 545
Work It Out 550
Marginal Revolution University Videos 551
CHAPTER 27 APPENDIX
The Magic of Compound Growth Using a Spreadsheet 552
CHAPTER 28 Growth, Capital Accumulation, and the Economics of Ideas: Catching Up vs. the Cutting Edge55
The Solow Model and Catching-Up Growth 556
Capital, Production, and Diminishing Returns 557
Capital Growth Equals Investment Minus Depreciation 559
Why Capital Alone Cannot Be the Key to Economic Growth 560 and av Ismimol
Human Capital 562 From Capital Accumulation to Catching-Up Growth 562 From Capital Accumulation to Catching-Up Growth 562
From Capital Accumulation to Catching-Op Growth 302

The Investment Rate and Conditional Convergence	
The Solow Model and an Increase in the Investment R	
The Solow Model and Conditional Convergence 565	Leverage 604
New Ideas and Cutting-Edge Growth 566	
Better Ideas Drive Long-Run Economic Growth 567	
Solow and the Economics of Ideas in One Diagram 56	Takeaway 610 88
The Economics of Ideas 569	
Research and Development Is Investment for Profit 56	Work it Out 614 Drame 98
Spillovers, and Why There Aren't Enough Good Ideas	Marginal Revolution Unive 175
Government's Role in the Production of New Ideas 57	СНАРТЕЯ 29 АРРЕИДІХ
Market Size and Research and Development 573	
Takeaway 575	
Chapter Review 576	
A STATE OF THE PROPERTY OF THE	
Manufacil Barralistian Hairmaite Vidana FOO	
CHAPTER 20 ARRENDIV	
CHAPTER 29 Saving, Investment, and the Finance	cial System 587
The Supply of Savings 588	
Individuals Want to Smooth Consumption 588	
and the season of the season of the season with the season of the season	
The Interest Rate 590	
Individuals Want to Smooth Consumption 591	
Borrowing Is Necessary to Finance Large Investments	
The Interest Rate 593	Takeaway 643
Equilibrium in the Market for Loanable Funds 594	
Shifts in Supply and Demand 594	Work It Out 642
The Role of Intermediaries: Banks, Bonds, and Sto	ock Markets 596
Banks 596 Substitution 701	
The Bond Market 597 The Stock Market 600	as noite ball to gargaun
What Happens When Intermediation Fails? 601	
Insecure Property Rights 602 Controls on Interest Rates 602	
Politicized Lending and Government-Owned Banks 60	
Bank Failures and Panics 604	

The Financial Crisis of 2007–2008: Leverage, Securit Banking 604	tization, and Shadow
Leverage 604	
- 100 mmole sec	
Marginal Revolution University Videos 615	
CHAPTER 29 APPENDIX	
Anapter Review 322	
Part 7: Business Fluctuations	
CHAPTER 30 Unemployment and Labor Force I	Participation621
Defining Unemployment 623	
How Good an Indicator Is the Unemployment Rate?	623 Control of the leave
Frictional Unemployment 625	
Structural Unemployment 627	
Labor Regulations and Structural Unemployment 628	
Labor Regulations to Reduce Structural Unemployme	
Factors That Affect Structural Unemployment 634	
The state of the s	
The Natural Unemployment Rate 637	
Labor Force Participation 638 Lifecycle Effects and Demographics 638	
Takeaway 643	
Wancit Uut 55U	
Maistrial Royaltation University Viriens 551	
Work it out on	
Marginal Revolution University videos 646	
CHAPTER 31 Inflation and the Quantity Theory	
Defining and Measuring Inflation 649	
FAS 00104 M0081 346 Catching-Up Growth 230	
Inflation in the United States and Around the World	Controls on Interest Re 173
The Quantity Theory of Money 653	
The Cause of Inflation 655	
An Inflation Parable 658	
The Costs of Inflation 658	
Price Confusion and Money Illusion 659	

Inflation Redistributes Wealth 660

Inflation Interacts with Other Taxes 664 Inflation Is Painful to Stop 664
CHAPTER 34 The Federal Reserve System and Open Mark 200 gawayaT
Chapter Review 666
What is the Federal Reserve System3q74xtiew one sonerusal 1980 tu0 tl know
Marginal Revolution University Videos 669
Fractional Reserve Banking, the Reserve Rapogan Comernique years
CHAPTER 32 Business Fluctuations: Aggregate Demand and Supply
200
The Aggregate Demand Curve 673 Shifts in the Aggregate Demand Curve 675
The Long-Run Aggregate Supply Curve 676
Shifts in the Long-Run Aggregate Supply Curve 676 To Classes & Company Curve 676 To Classes &
Real Shocks 678
Oil Shocks 679
More Shocks 681 Werenty Videos 799
Aggregate Demand Shocks and the Short-Run Aggregate Supply Curve 682
Short-Run Aggregate Supply Curve 682
The Long Run 684 olicy Works 789
Shocks to the Components of Aggregate Demand 687 A Shock to \overrightarrow{C} 687
Why Changes in ₹ Tend to Be Temporary 688 Other AD Shocks 688
Understanding the Great Depression: Aggregate Demand Shocks and Real Shocks 690
Aggregate Demand Shocks and the Great Depression 690
Real Shocks and the Great Depression 692
When the Fed Does Too Much 749 1890 1890 1890
Chapter Review 694 weight Asset Price Bubbles 751
Rules vs. Discretion 752 869 tu0 tl know
Marginal Revolution University Videos 699
Chapter Review 754 U18 ecopy (preseying normloves) isnigram
CHAPTER 33 Transmission and Amplification Mechanisms701
Intertemporal Substitution 701
Uncertainty and Irreversible Investments 703
Labor Adjustment Costs 704
Time Runching 705
Collateral Damage 706
Takeaway 709 Sometimes Called the Fine out Ast Smooth State Opposed and
Chapter Review 709 700 200 200 200 200 200 200 200 200 200
Work It Out 713
Month out 115
Marginal Revolution University Videos 713

Business Fluctuations and the Solow Model 714

Part 8: Macroeconomic Policy and Instit	utions
CHAPTER 34 The Federal Reserve System and Open Operations	Market717
What Is the Federal Reserve System? 717	Chapter Review 666
The U.S. Money Supplies 718	
Fractional Reserve Banking, the Reserve Ratio, and the Multiplier 720	
How the Fed Controls the Money Supply 722	
The Federal Reserve Is the Lender of Last Resort 726	
Revisiting Aggregate Demand and Monetary Policy 72	Shifts in the Long-
Who Controls the Fed? 731	
Takeaway 732	
Chapter Review 733	
PELEDITO ON The constant and taken Enter Destrict	
Marginal Revolution University Videos 737	
CHAPTER 34 APPENDIX	
The Money Multiplier Process in Detail 738	
CHAPTER 35 Monetary Policy	741
Monetary Policy: The Best Case 741	Other AD Shocks 68
Reversing Course and Engineering a Decrease in AD 743	
The Fed as Manager of Market Confidence 745	
The Negative Real Shock Dilemma 746	
When the Fed Does Too Much 749	
Dealing with Asset Price Bubbles 751	
Rules vs. Discretion 752	
Takeaway 754	
Chapter Review 754	
mut. it uut. 1947	
walling menoration numbers of singles a solid at the same as a same	
CHAPTER 36 The Federal Budget: Taxes and Spendi	ng765
Tax Revenues 765	Labor Adjustment C
The Individual Income Tax 766	
Social Security and Medicare Taxes 769	
The Corporate Income Tax 769	
The Bottom Line on the Distribution of Federal Taxes 770	
State and Local Taxes 771	

Spending 771
Social Security 772
Defense 774
Medicare and Medicaid 774818 Run 818477 Determination in the Short Run 818477
Unemployment Insurance and Welfare Spending 775 shipped ets9 epostox3
How Monetary and Fiscal Policy Affect Exchange Rate 775 sell gridthysell gets and Fiscal Policy Affect Exchange Rate 775
Is Government Spending Wasted? 776
The National Debt, Interest on the National Debt, and Deficits 777
Will the U.S. Government Go Bankrupt? 779
The Future Is Hard to Predict 780
Revenues and Spending Undercount the Role of Government in the Economy 781
Takeaway 782 782 Takeaway 782
Chapter Review 783
Work It Out 788 Washington and the several planes to 200 and 100 and 1
Marginal Revolution University Videos 788
create a book full of vivid writing and powerful stories. We wanted aggression if how
CHAPTER 37 Fiscal Policy
Why Should Fiscal Policy Work? 789
What Determines the Size of the Multiplier? 791
So How Big Is the Multiplier? 794
Limits to Fiscal Policy: Magnitude 795
Timing 796
Government Spending vs. Tax Cuts as Expansionary Fiscal Policy 797
Fiscal Policy Does Not Work Well to Combat Real Shocks 799
When Fiscal Policy Might Make Matters Worse 800
So When Is Fiscal Policy a Good Idea? 802
Takeaway 803
Chapter Review 803
Work It Out 809
Marginal Revolution University Videos 810
Part 9: International Economics
CHAPTER 38 International Finance811
The U.S. Trade Deficit and Your Trade Deficit 812
The Balance of Payments 813
The Current Account 814
The Capital Account, Sometimes Called the Financial Account 814 The Official Reserves Account 815
How the Pieces Fit Together 815

Two Sides, One Coin 815	
The Bottom Line on the Trade Deficit 8	Social Security 772
What Are Exchange Nates: 010	
	ort Run 818 Webissibal bas assibal /
Exchange Rate Determination in the Lor	Unemployment Insurance and 821 na grand
Monetary Policy 824	s Government Spandings Masted R. A. The National Debt, Interest on the Na
Fiscal Policy 826	
Fixed vs. Floating Exchange Rates 82	The Future Is Hard to Predict 780
What Are the IMF and the World Ban	
International Monetary Fund 829	
The World Bank 829	
Takeaway 830	
Chapter Review 831	
Work It Out 836	
Marginal Revolution University Videos 836	
CHAPTER 34 APPENDIX	Why Should Fiscal Policy Work? 789
APPENDIX A Reading Graphs and IV	laking GraphsA-´
APPENDIX B Solutions to Check You	urself QuestionsB-
Glossary G-1	
	HAPTER 38 International Finance he U.S. Trade Deficit and Your Trade