

# CONTENTS IN BRIEF

## P A R T O N E

---

### **BASIC CONCEPTS**

**CHAPTER 1 / INTRODUCTION 2**

APPENDIX 1 / HOW TO READ GRAPHS 12

**CHAPTER 2 / BASIC PROBLEMS OF ECONOMIC ORGANIZATION 19**

- A. The Three Problems of Economic Organization 19
- B. Society's Technological Possibilities 21
- C. Trade, Money, and Capital 28

**CHAPTER 3 / MARKETS AND GOVERNMENT IN A MODERN ECONOMY 35**

- A. How Markets Solve the Basic Economic Problems 35
- B. The Economic Role of Government 41

**CHAPTER 4 / BASIC ELEMENTS OF SUPPLY AND DEMAND 48**

## P A R T T W O

---

### **MICROECONOMICS: SUPPLY, DEMAND, AND PRODUCT MARKETS**

**CHAPTER 5 / SUPPLY AND DEMAND IN INDIVIDUAL MARKETS 64**

- A. Elasticity of Demand and Supply 65
- B. Applications of Supply and Demand 72

**CHAPTER 6 / DEMAND AND CONSUMER BEHAVIOR 83**

APPENDIX 6 / GEOMETRICAL ANALYSIS OF CONSUMER EQUILIBRIUM 97

**CHAPTER 7 / PRODUCTION AND BUSINESS ORGANIZATION 104**

- A. Business Organization 104
- B. Theory of Production and Marginal Products 106

**CHAPTER 8 / ANALYSIS OF COSTS 119**

- A. Economic Analysis of Costs 119
- B. Business Accounting and Opportunity Costs 127

APPENDIX 8 / PRODUCTION, COST THEORY, AND DECISIONS OF THE FIRM 135

**CHAPTER 9 / SUPPLY AND PRICING IN COMPETITIVE MARKETS 140**

- A. Supply Behavior of the Competitive Firm 140
- B. Supply Behavior in Competitive Industries 144
- C. Efficiency and Equity of Competitive Markets 148

APPENDIX 9 / SPECIAL CASES OF COMPETITIVE MARKETS:  
SUPPLY AND DEMAND AT WORK 157

**CHAPTER 10 / MARGINAL REVENUE AND MONOPOLY 162**

- A. Patterns of Imperfect Competition 162
- B. Marginal Revenue and Monopoly 169

**CHAPTER 11 / OLIGOPOLY AND MONOPOLISTIC COMPETITION 179**

- A. Patterns of Imperfect Competition 179
- B. Behavior of Large Corporations 186
- C. A Balance Sheet on Imperfect Competition 190

**CHAPTER 12 / UNCERTAINTY AND GAMES IN ECONOMIC BEHAVIOR 197**

- A. Economics of Risk and Uncertainty 198
- B. Game Theory 205

P A R T T H R E E

---

**WAGES, RENT, AND PROFITS: THE DISTRIBUTION OF INCOME**

**CHAPTER 13 / INCOMES AND THE PRICING OF FACTORS OF PRODUCTION 216**

- A. The Fruits of Industrialization 216
- B. Income Distribution and Marginal-Productivity Theory 219

**CHAPTER 14 / WAGES AND THE LABOR MARKET 231**

- A. Wage Determination under Perfect Competition 231

B. Discrimination by Race and Gender 240

**CHAPTER 15 / LABOR UNIONS AND COLLECTIVE BARGAINING 249**

- A. The American Labor Movement 249
- B. Impact of Imperfect Competition on Wages 255

**CHAPTER 16 / LAND, NATURAL RESOURCES, AND CAPITAL 264**

- A. Land, Natural Resources, and Rent 264
- B. Capital, Interest, and Profits 264

P A R T F O U R

---

**EFFICIENCY, EQUITY, AND GOVERNMENT**

**CHAPTER 17 / MARKETS AND ECONOMIC EFFICIENCY 286**

**CHAPTER 18 / GOVERNMENT AND THE ECONOMY 298**

- A. Government Control of the Economy 298
- B. Public-Choice Theory: How Governments Make Decisions 303
- C. Public Choice and Externalities 310

**CHAPTER 19 / GOVERNMENT TAXATION AND EXPENDITURE 319**

- A. Government Expenditures 319
- B. Economic Aspects of Taxation 322

**CHAPTER 20 / CURBING MARKET POWER: REGULATION AND ANTITRUST POLICIES 338**

- A. Business Regulation: Theory and Practice 338
- B. Antitrust Policy 344

**CHAPTER 21 / INCOME DISTRIBUTION AND THE STRUGGLE AGAINST POVERTY 353**

- A. Measurement of Inequality 354
- B. The Sources of Inequality 362
- C. Equality vs. Efficiency: How Much Redistribution? 365

**CHAPTER 22 / THE WINDS OF CHANGE: THE TRIUMPH OF THE MARKET 375**

- A. Evolution of Economic Thought 375
- B. Alternative Economic Systems 383

P A R T F I V E

---

**FUNDAMENTAL CONCEPTS OF MACROECONOMICS**

**CHAPTER 23 / OVERVIEW OF MACROECONOMICS 396**

- A. Macroeconomic Concepts and Goals 397
- B. Aggregate Supply and Demand 405

**CHAPTER 24 / MEASURING NATIONAL OUTPUT AND INCOME 416**

**CHAPTER 25 / CONSUMPTION AND INVESTMENT 434**

- A. Consumption and Saving 434
- B. The Determinants of Investment 446

**CHAPTER 26 / FUNDAMENTALS OF AGGREGATE SUPPLY AND DEMAND 455**

**CHAPTER 27 / THE MULTIPLIER MODEL 471**

- A. The Basic Multiplier Model 471
- B. Fiscal Policy in the Multiplier Model 480
- C. Output Determination in Open Economies 485

**CHAPTER 28 / MONEY AND COMMERCIAL BANKING 496**

- A. The Essence of Money and Interest Rates 496
- B. Banking and the Supply of Money 506

APPENDIX 28: STOCK MARKET FLUCTUATIONS 518

**CHAPTER 29 / CENTRAL BANKING AND MONETARY POLICY 524**

- A. Central Banking and the Federal Reserve System 524
- B. The Effects of Money on Output and Prices 535

P A R T S I X

---

**AGGREGATE SUPPLY AND MACROECONOMIC POLICY**

**CHAPTER 30 / ECONOMIC GROWTH 546**

- A. The Theory of Economic Growth 548
- B. The Trends and Sources of Economic Growth 553
- C. Supply-Side Economics 559

**CHAPTER 31 / BUSINESS CYCLES AND UNEMPLOYMENT** 566

- A. Business Cycles 566
- B. Unemployment 572

**CHAPTER 32 / THE COST OF INFLATION** 587**CHAPTER 33 / INFLATION AND UNEMPLOYMENT** 601

- A. Sources of Inflation 601
- B. Modern Inflation Theory 606
- C. Dilemmas of Anti-inflation Policy 613

**CHAPTER 34 / FISCAL POLICY, DEFICITS, AND THE GOVERNMENT DEBT** 620

- A. Budgets and Fiscal Policy 620
- B. The Economic Consequences of the Deficit 627

**CHAPTER 35 / ISSUES IN ECONOMIC STABILIZATION** 640

- A. Velocity and Monetarism 640
- B. Rational Expectations in Macroeconomics 646
- C. Current Issues in Stabilization Policy 651

## P A R T    S E V E N

---

**INTERNATIONAL TRADE AND THE WORLD ECONOMY****CHAPTER 36 / INTERNATIONAL TRADE AND THE THEORY OF COMPARATIVE ADVANTAGE** 660

- A. Economic Basis for International Trade 660
- B. The Balance of International Payments 671

**CHAPTER 37 / PROTECTIONISM AND FREE TRADE** 677**CHAPTER 38 / THE ECONOMICS OF DEVELOPING COUNTRIES** 692

- A. Developing Countries and the Population Problem 692
- B. The Process of Economic Development 697

**CHAPTER 39 / EXCHANGE RATES AND THE INTERNATIONAL FINANCIAL SYSTEM** 708

- A. The Determination of Foreign Exchange Rates 709
- B. Issues of International Economics 715

**GLOSSARY** 729**INDEX** 749