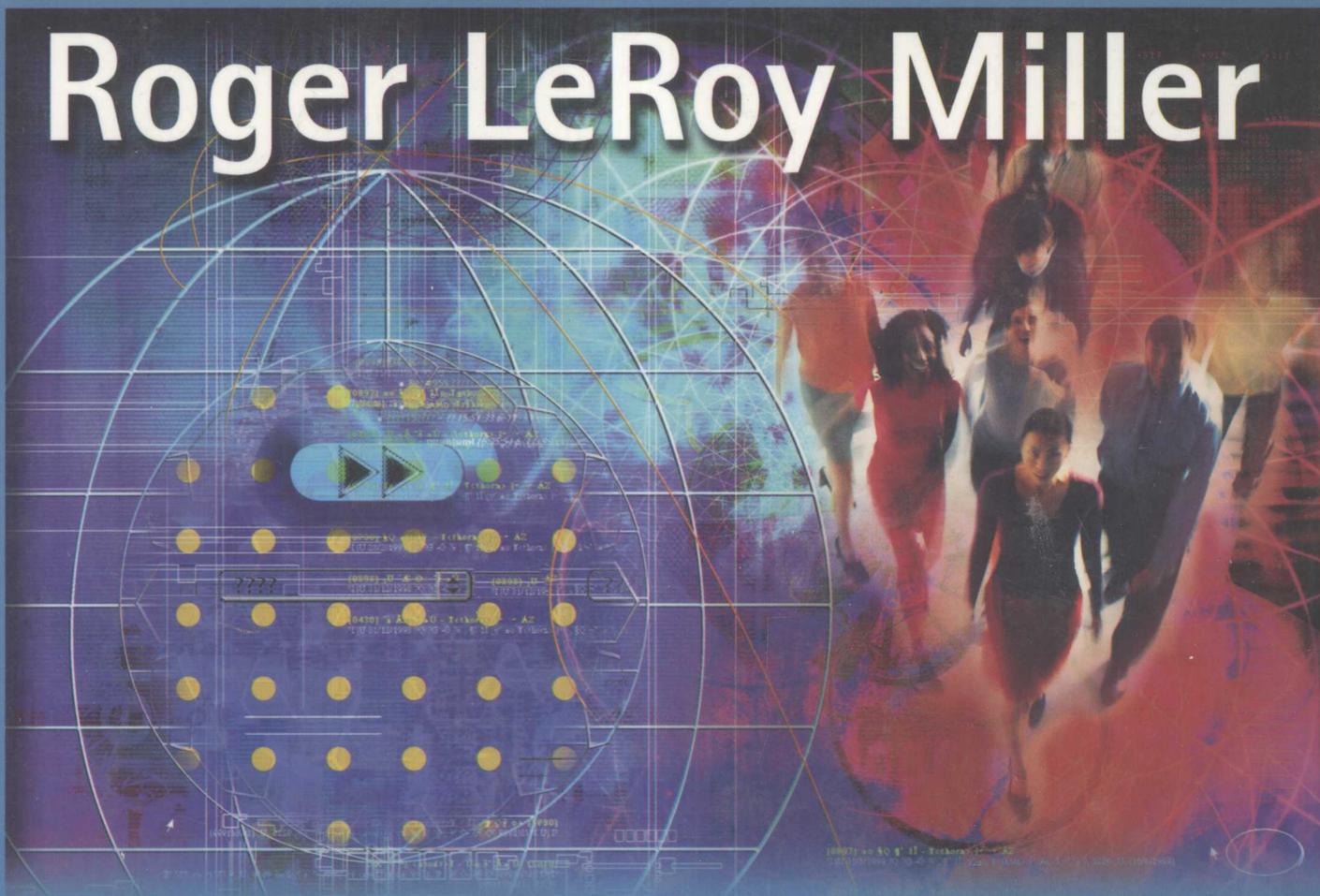


Roger LeRoy Miller



TWELFTH EDITION

ECONOMICS TODAY

The Micro View



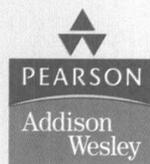
ECONOMICS TODAY

The Micro View

TWELFTH EDITION

Roger LeRoy Miller

Institute for University Studies, Arlington, Texas



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DEDICATION

For My Son, Shawn,

*Thanks for following your own path
to happiness and success.*

R. L. M.

Acknowledgments

I am the most fortunate of economics textbook writers, for I receive the benefit of literally hundreds of suggestions from those of you who use *Economics Today*. I continue to be fully appreciative of the constructive criticisms that you offer. There are some professors who have been asked by my publisher to participate in a more detailed reviewing process of this edition. I list them below. I hope that each one of you so listed accepts my sincere appreciation for the fine work that you have done.

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When I undertake a major revision of *Economics Today*, I start the process almost immediately after I've published the previous edition. So, what you are about to read has its roots in editorial meetings that started almost three years ago.

I am fortunate to have an incredibly imaginative and knowledgeable editorial team at Addison-Wesley, with which I have worked during these last several years. They include Adrienne D'Ambrosio, Rebecca Ferris, Victoria Warneck, and Denise Clinton. Of course, they have accused me of monopolizing their time. In any event, I thank them for all of the meetings, phone calls, e-mails, and faxes that, if properly recorded, would fill up more pages than the resulting text.

On the design and production side, I feel fortunate to have worked with John Orr of Orr Book Services. I thank his staff and him for their creative and professional services as well as Katherine Watson, my production manager at Addison-Wesley, and Regina Kolenda, my talented designer. I also very much appreciate the efforts of Jason Miranda and Diana Theriault in coordinating the production process of the many print supplements. I am always happy to thank my long-time indexer, Bob Marsh, who continues to amaze me with his accuracy.

I had more than my deserved amount of constant comments and criticisms from my colleagues David VanHoose and Dan Benjamin. I hope they will accept this sentence of appreciation in the manner in which it is offered—with utmost sincerity.

I have been blessed with a powerhouse of talented colleagues who have created or revised the extensive supplements package. So, thank you David VanHoose of Baylor University for the Study Guides; Andrew J. Dane of Angelo State University for the Instructor's Manual; Debbie Mullin of the University of Colorado at Colorado Springs for the PowerPoint slides; Scott Hunt of Columbus State Community College for Economics in Action; Michael Goode of Central Piedmont Community College for Test Bank 1; Diane L. Stehman of Northeastern Illinois University for Test Bank 2 and the Online Quizzes; and G. Dirk Mateer of Penn State University for his critical role as editor of Test Bank 3 overseeing top-notch question contributions from Bruce W. Bellner of Ohio State University, Marion, Marie Duggan of Keene State College, Susan Glanz of St. Joseph's University, Teresa Laughlin of Pomona College, Debbie Mullin of the University of Colorado at Colorado Springs, Densel L. Myers of Oklahoma City Community College, and David Schlow of Penn State University.

I also must extend my gratitude to the multimedia developers who created and refined all of the online services for this edition of *Economic Today*. They include Ben Mallory, Matt Hampton, and Chris Bassolino of Fuse5, the programmers at OpenTech Software Inc, the animators at Shadowbox, Inc., Steve Melzer of VidBoston and his top-notch crew, Ken Kavanag of Newbury Sound and our voice talent, Ray Childs and Mary Ellen Whitaker. None of this media development would be possible without the scripting contributions of David VanHoose, Debbie Mullen, and Henry Ryder on the animations and glossary terms. At Addison-Wesley, Melissa Honig and Michelle Neil deftly coordinated the efforts of these content and multimedia developers.

Finally, Sue Jasin probably could teach a course in economics after typing, retyping, and even retyping again various drafts of this revision. Thank you, Sue, for everything, including the many weekends you worked on this project.

I welcome comments and ideas from professors and students. After all, by the time you read this, I will already be working on the next edition.

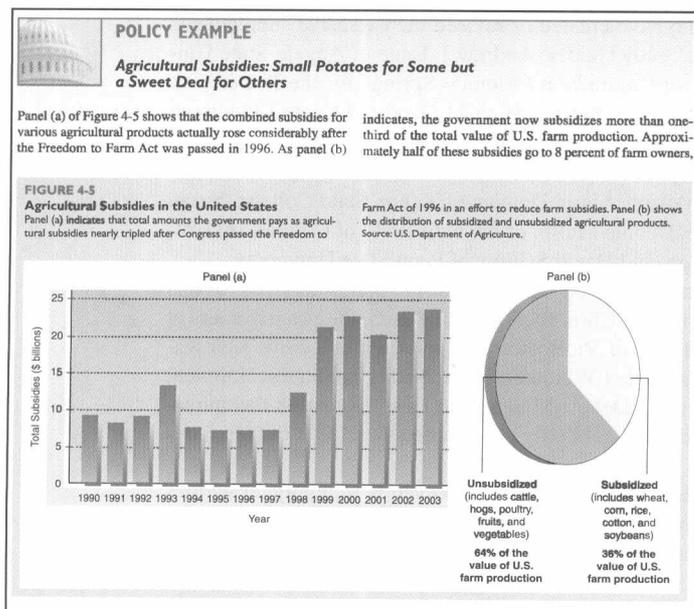
Economics Today has long led the field in offering students and instructors a dynamic, application-rich approach to learning and teaching economics. The author remains on the cutting edge of economic teaching, defining what it means for a text to be user-friendly and student-oriented.

Carrying on the tradition, this substantially revised Twelfth Edition presents economic principles within the context of the sweeping changes occurring in the economic landscape. The bursting of the stock market bubble and the fall of the dot-coms, the recession that began in early 2001, and the Bush administration's tax cut initiative are central developments. The tragic terrorist attacks of September 11, 2001, changed the face of domestic and international political debates and led to the war on terrorism and subsequent military action in Afghanistan and Iraq. *Economics Today* clearly outlines the core principles of economics so that students can fully understand and analyze the economic aspects of these and other developments as they unfold.

ECONOMIC STIMULUS FOR YOUR CLASSROOM

Economics Today captures student interest through the infusion of examples that reflect the vitality of economics. All of the 150 new examples have been selected to grab and hold students' attention. These examples serve one basic purpose—to drive home the application of the theory just presented.

Policy Examples Students are exposed to important policy questions on both domestic international fronts in over 25 policy examples.



NEW Policy Examples include:

- Incentives, Suicide Rates, and Kidney Treatments
- A New Ingredient in the Alphabet Soup of Inflation Measures
- Combating Counterfeiters
- What Are Food Stamps Worth?

International Examples More than 35 international examples emphasize the interconnections of today's global economy.

International Examples include

- Paying Students to Attend School in Mexico
- The Price Elasticity of Demand for World's Fair Tickets
- Trapped in a Web of Online Job Applications in Japan
- Do Legal Restrictions Reduce the International Competitiveness of Middle Eastern Nations?



INTERNATIONAL EXAMPLE

Falling Costs of Fighting the War on Terror

The world was taken by surprise when packages containing anthrax-laden powder began appearing in the mail in locales such as Washington, D.C.; New York City; and Karachi, Pakistan. Hardly anyone was prepared to detect whether individuals in affected workplaces had been exposed to the deadly toxin.

Until then, most people had been unwilling to pay the relatively high price of available systems for detecting anthrax and other deadly environmental pathogens. In 2001, firms that manufactured portable diagnostic systems permitting the testing of up to several dozen people offered the packages for sale at a price of nearly \$200,000. Chemical equipment that the military could pack into a Humvee for transportation to sites where air quality was suspect was available at prices starting at about \$250,000 per vehicle.

Following the terrorist attacks of September 2001, companies accelerated their development of innovative new ways to monitor the air, water, and foods for pathogenic agents and of new

lower-cost techniques for speedily diagnosing people's exposure to such agents. In addition, biochemical companies that had not previously been involved in this business entered the market.

Improved technologies and the entry of new firms have steadily increased the supply of both monitoring devices and diagnostic equipment. As a result, government agencies, military organizations, and companies around the world are now much better prepared to battle bioterrorism than they were in 2001. They are also paying lower prices for the monitoring and diagnostic tools they wish to have on hand as they wage their war against terrorism.

For Critical Analysis

Given that the prices of toxin monitoring and diagnostic devices were so high before 2001, what discouraged additional technological improvement and firm entry prior to the bioterrorist attacks that took place in that year?



e-COMMERCE EXAMPLE

Assessing Marginal Utility When Purchasing Items on the Internet

If an individual cannot directly assess an item she is thinking of buying, she is not 100 percent certain how much additional utility she will attain. She will have to make a choice based on her trust in the quality of the item.

This situation often occurs when people buy items at Web sites. Firms that sell products on the Internet realize that trust affects a consumer's utility assessment. Amazon includes a "customer reviews" feature with the description of most books so that shoppers can see what other consumers think about the book. At the eBay auction site, buyers and sellers rate each other and earn stars once they have accumulated a sufficient number of positive reviews. Through their willingness to post customer feedback at their sites, both companies have sought to establish consumer trust in their products.

Today, there are Web sites that allow consumers to assess the reputations of Internet sellers. These sites rely on software

programs called *reputation managers*, which measure the overall reliability of a product or a company based on customer feedback. Some reputation managers simply add up favorable and unfavorable evaluations to establish a net reputation score. Others allow a user to search for product reviews and provide feedback about which were most helpful. Reviewers themselves develop reputations, and future reviews they contribute receive more weight in determining the overall rating for a firm's product.

For Critical Analysis

Can you think of other examples in which people make consumption choices without complete knowledge of how satisfied they will be with their decision?

E-Commerce Examples New e-commerce examples—more than 25 in total—explore the impact of advances in information technology.

E-Commerce Examples include

- Is the Opportunity Cost of Finding a Mate Lower on the Internet?
- Information Technologies and Long-Run Aggregate Supply
- The Rise of Electronic Communications Networks in U.S. Stock Markets



EXAMPLE

Why Arizona Copper Mines Shut Down When Lights Flickered in California

During the early 2000s, a complicated California plan for "deregulating" electricity prices by putting them under a state-directed energy allocation system went awry. The result was a significant increase in electric bills for both consumers and producers. As California energy prices increased, electricity producers in other western states began selling power to California. This reduced the supply of power throughout these states, so electricity rates jumped in those states as well.

Some of the world's largest clusters of copper mines are located in Arizona and New Mexico. During the run-up of energy prices, electricity costs increased so dramatically in the

region that operators shut down several mines and furloughed hundreds of workers. Only after electricity rates declined sufficiently did the operators call workers back and reopen production in the affected mines.

For Critical Analysis

Based on the theory of the short-run shutdown price, what do you think was likely true of the market price of copper produced in the mines that companies kept open following the spike in electricity rates?

Examples More than 40 thought-provoking and relevant examples highlight U.S. current events and demonstrate economic principles.

Examples include

- Price per Constant-Quality Unit and Teen Marijuana Use
- Terrorism and Economic Growth
- Economies of Scale at Dell Computer Corporation
- Do QWERTY Keyboards Persist Because of High Switching Costs?

For Critical Analysis At the end of each example, students are asked to "think like economists" to answer critical analysis questions. These probing questions sharpen students' analytical skills. The answers to all questions are found in the Instructor's Manual.

NEW TO THIS EDITION

Building on the success of previous editions, the Twelfth Edition offers thoroughly updated coverage throughout and three all-new chapters. Every example, table, and graph has been revised to reflect the most recent data available. You'll find major new material incorporating the latest research and data in every part of the text, including:

- Expanded coverage of the government sector in the new Chapter 6, “Taxation, Transfers, and Public Spending,” offers in-depth coverage of taxation, public spending, and transfer programs. The chapter also highlights timely issues such as the debates over Social Security and education vouchers.
- Chapter 17, “Stabilization in an Integrated World Economy,” and Chapter 18, “Policies and Prospects for Global Economic Growth,” provide new capstone macroeconomic policy coverage. Chapter 17 includes a new wrap-up section that aids students in understanding policy debates by summarizing the issues involved in evaluating the cases for active versus passive policymaking. Chapter 18 explores the impact of labor resources, capital goods, and private international financial flows on economic growth, as well as the critical role of international institutions and policies. It examines the important concept of “dead” capital.
- Two full chapters dedicated to monopolistic competition and oligopoly offer an expanded treatment of market structure. Chapter 25, on monopolistic competition, features new discussions of the role of brands and trademarks in advertising and information products. Chapter 26 takes a probing look at network effects.

CHAPTER 23

Perfect Competition

Learning Objectives

After reading this chapter, you should be able to:

1. Identify the characteristics of a perfectly competitive market structure
2. Discuss the process by which a perfectly competitive firm decides how much output to produce
3. Understand how the short-run supply curve for a perfectly competitive firm is determined
4. Explain how the equilibrium price is determined in a perfectly competitive market
5. Describe what factors induce firms to enter or exit a perfectly competitive industry
6. Distinguish among constant-, increasing-, and decreasing-cost industries based on the shape of the long-run industry supply curve

During the first nine months of 2001, the officers of Enron, a Houston-based energy-trading firm, reported revenues of \$100 billion. By late autumn, it came to light that the company's true revenues for the period had been closer to \$8 billion. Fraudulent activities by a few top officers and poor management by others were responsible for the misreported revenues of the firm. Enron closed its operations and filed for bankruptcy. As the winter months approached, officials in California and other western states, which were already experiencing higher-than-normal energy prices, anticipated a further jump in prices due to Enron's exit from the market. But a funny thing happened: U.S. energy prices remained stable. As you will learn in this chapter, this may have been evidence of a competitive market in energy distribution.



PEDAGOGY WITH PURPOSE

Economics Today, Twelfth Edition, provides a fine-tuned teaching and learning system. The text is based on the belief that students learn more when they are involved and engaged. Each of the following features has been carefully crafted to enhance the learning process:

Chapter-Opening Issues Each chapter-opening issue whets student interest in core chapter concepts with compelling examples. Openers like the following engage students up front and involve them in the chapter material:

- Why so many U.S. citizens do not vote
- The effectiveness (or ineffectiveness) of education vouchers
- The implications of the underground economy on official economic statistics
- The relationship between cigarette consumption and taxes on beer

Did You Know That ...? Each chapter starts with a provocative question to engage students and to lead them into the content of the chapter.

Learning Objectives A clear statement of learning objectives on the first page of the chapter focuses students' studies.

Chapter Outline The outline serves as a guide to the chapter coverage.

Graphs Precise four-color graphs clearly illustrate key concepts.

Marginal Glossary To simplify the task of learning the vocabulary of economics, key terms are printed in bold type and defined in the margin of the text the first time they appear.

Concepts in Brief Following each major section, "Concepts in Brief" summarizes the main points of the section to reinforce learning and to encourage rereading of any difficult material.

Summary Discussion of Learning Objectives To encourage students to retain important concepts, every chapter ends with a concise yet thorough summary of the important concepts organized around the learning objectives presented at the beginning of each chapter.

Key Terms A list of key terms with page references is a handy study device.

Problems A variety of problems support each chapter. Answers for all odd-numbered problems are provided at the back of the textbook.

PROVOCATIVE FEATURES GUARANTEED TO ENROSS STUDENTS

True to its reputation as the book that best engages students with current material, the Twelfth Edition offers the following features.

FAQ Provocative boxed features encourage analysis by providing answers to frequently asked questions based on economic reasoning.

New FAQs include:

- Can a business idea be patented?
- Doesn't a higher U.S. trade deficit signal that the economy is in trouble?
- Are pharmaceutical patents a barrier to entry in the drug industry?
- Hasn't average U.S. air quality worsened in recent years?

Did You Know That...

much of the world's housing is not legally owned and thus cannot easily be bought and sold? Estimates indicate that 57 percent of city dwellers and 67 percent of country residents in the Philippines occupy homes to which no one has any clear legal title. In Haiti, approximately 68 percent of people who reside in cities and 97 percent of individuals who live in the countryside live in homes that have no official owner. In Egypt, unofficial structures house an estimated 92 percent of city dwellers and 85 percent of country residents.

All told, the market value of real estate not legally registered in developing nations probably equals at least \$9 trillion. This amount is nearly as high as the market value of all companies listed on the stock exchanges of the world's most developed nations. Because the ownership of unofficial properties in developing nations is not legally recognized by the nations' governments, people who own the properties have trouble putting them to their fullest possible use. For instance, members of a Philippines household who own an unregistered home cannot use the property as collateral if they wish to borrow funds to start a business. A Haitian owner of an unofficial dwelling cannot readily obtain insurance coverage, so she will be less likely to operate a garment shop from her home. If an Egyptian couple try to fund their child's education by renting a wing of their unofficial home to an individual who then fails to make promised rent payments, they will lack a clear legal right to evict the deadbeat tenant. Naturally, these and other problems restrict the usability and tradability of real estate, thereby limiting the potential contribution of this form of capital to economic growth in the Philippines, Haiti, and Egypt.

In the pages that follow, you will contemplate the prospects for economic growth in these and other nations of the world. You will learn about international institutions that the world's wealthier nations have established to promote global economic growth and about the policies of these institutions. You will also discover why prospects for economic growth remain bleak for many people around the globe, irrespective of the activities of these international institutions.



FAQ

Has the Internet had a large direct impact on U.S. GDP?

So far, the Internet's direct effect on GDP has been relatively small. Because GDP measures only the value of final goods and services, companies' efforts to streamline operations by moving more of their internal business activities to the Internet have not directly affected GDP. A large portion of business-to-business (B2B) e-commerce transactions are also not included in GDP, because many B2B transactions entail exchanges of intermediate inputs that are included in final goods and services. Nearly all consumer-to-consumer (C2C) transactions, such as those conducted at Web auction

Issues & Applications

The Fed's Response to Terrorism

The terrorist attacks of September 11, 2001, were an unprecedented human tragedy. They also constituted an event that could have had potentially serious ramifications for the U.S. financial system. Most observers agree that the Federal Reserve's actions on that day and during the days and weeks that followed helped avert many of the worst of the attacks' conceivable consequences.

Open Market Operations to the Rescue

During the days following the terrorist attacks, consumers rushed to stock up on cash, and financial institutions struggled to transmit funds and extend credit. In an effort to maintain the nation's overall liquidity, the Fed purchased large volumes of securities. Most of these were *repurchase agreements*, contracts stipulating that the Fed would resell the securities to the original owners within a few days or a few weeks. In this way, the Fed could temporarily inject liquidity into the financial system to help avert a severe crunch.

Figure 15-5 compares the Federal Reserve's average holdings of repurchase agreements for the weeks from July 4 to September 5, 2001, on September 12, 2001, and on September 19, 2001. As you can see, on the day after the September 11 attacks, the Fed's holdings of repurchase agreements had

more than doubled. During the following days, the Fed sold back many of these securities. By the next week, the Fed had closed out about half of the additional repurchase agreements it had accumulated on September 12.

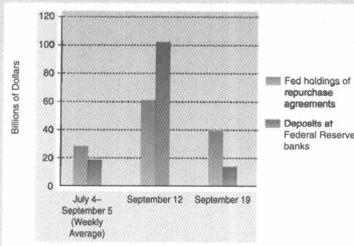


FIGURE 15-5
Federal Reserve Holdings of Repurchase Agreements and Reserve Deposits at Federal Reserve Banks, July–September 2001
In the week following the terrorist attacks of September 11, 2001, the Federal Reserve engaged in large volumes of open market purchases via repurchase agreements. This caused a significant increase in bank reserves.
Source: Board of Governors of the Federal Reserve System.

Concepts Applied

- Reserves
- Open Market Operations
- Borrowed Reserves

Issues and Applications Located at the end of every chapter, the two-page “Issues and Applications” sections offer detailed discussions of current issues designed to encourage students to apply economic concepts to real-world situations. Linked to the chapter-opening issue, each outlines the concepts being applied in the context of a particular issue and is followed by several critical thinking questions. (Suggested answers appear in the Instructor’s Manual.) Newly added Web-based research projects and group exercises relating to the topics help students enrich their understanding of these issues.

Tying It All Together This feature captures the themes of each part in an extensive case application that demonstrates the relevance of concepts in a business decision-making context. Accompanying questions encourage students to assess key issues and do additional research on the Internet. (The answers to all questions are found in the Instructor’s Manual.)

SUPERB INTEGRATION OF ONLINE RESOURCES

Internet Resources Marginal notes link directly to interesting Web sites that illustrate chapter topics, giving students the opportunity to build their economic research skills by accessing the latest information on the national and global economy.

Economics in Action Marginal icons direct students to online “Economics in Action” modules corresponding to chapter content.

Media Resource List These impressive lists detail the many media resources tailored to each chapter, including animations, videos, audio clips, and “Economics in Action” modules, that are available on the MyEconLab Web site.

Economics on the Net Internet Activities

These activities are designed to build student research skills and reinforce key concepts. The activities guide students to a Web site and provide a structured assignment for both individual and group work.

Economics on the Net

Canadian Taxes and Energy Markets The Canadian government follows the example set by the U.S. government and governments of other countries by imposing taxes on some sources of energy and subsidizing other energy sources. This application helps you apply concepts you learned in this chapter to evaluate the effects of taxes and subsidies.

Title: Canada Environment Review

Navigation: Go to www.econtoday.com/ch03 to visit the Energy Information Agency home page.

Application Read the first three sections of this article (“General Background,” “Energy and Environmental Policy,” and “Energy Taxes and Subsidies”). Then answer the following questions.

1. Draw a diagram of possible demand and supply curves for the market for gasoline. The tax described in the third section of the article is paid by sellers of gasoline. Thus to in-

duce each gasoline seller to supply the same quantity as it would have supplied before the tax, the price that the seller receives must be higher by the amount of the tax. Given this information, illustrate the effect of this tax on the market supply curve. Illustrate and explain how the tax reduces consumption of transportation gas.

2. Draw a diagram of the market for vehicles powered by natural gas. Illustrate the effect of a subsidy on the supply of natural-gas-powered vehicles, and explain how the subsidy encourages the use of these vehicles.

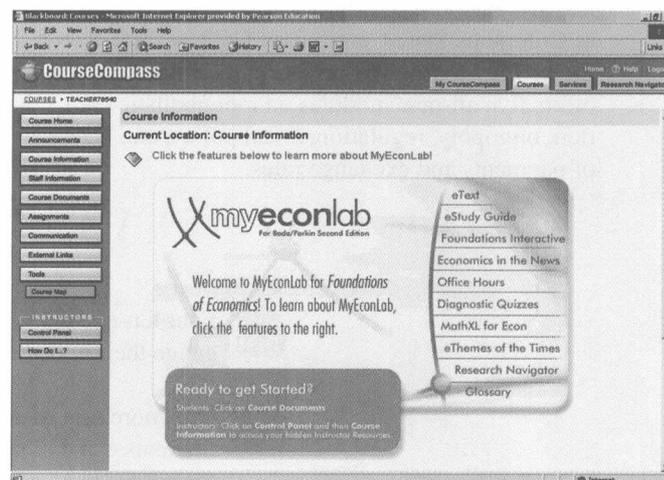
For Group Study and Analysis The final paragraph under “Energy Taxes and Subsidies” describes a study of tax incentives for conservation and renewable energy technologies. Discuss how a tax incentive affects the supply of renewable energy technologies. Discuss how a tax that “encourages” energy conservation might affect a firm engaged in manufacturing. Debate whether one approach is preferred over the other.

MyEconLab: THE NEW STANDARD IN TECHNOLOGY RESOURCES

Every student who buys a new textbook receives a prepaid subscription to MyEconLab, which presents an unprecedented wealth of specially designed multimedia resources. The Student Access Kit that arrives bundled with all new books walks students step-by-step through the registration process. Instructors who use MyEconLab gain access to powerful course management tools, and their students gain access to rich learning resources.

MyEconLab is tailored to match the *Economics Today* textbook; the Web site features an electronic version of the textbook that serves as a navigational tool for students. At MyEconLab, the familiar design of the printed textbook—with the same layout, the same font, and even the same page numbers—allows your students to access a wide array of video and audio clips, moving graphs, and full-scale animations of key concepts with ease via a PDF e-book.

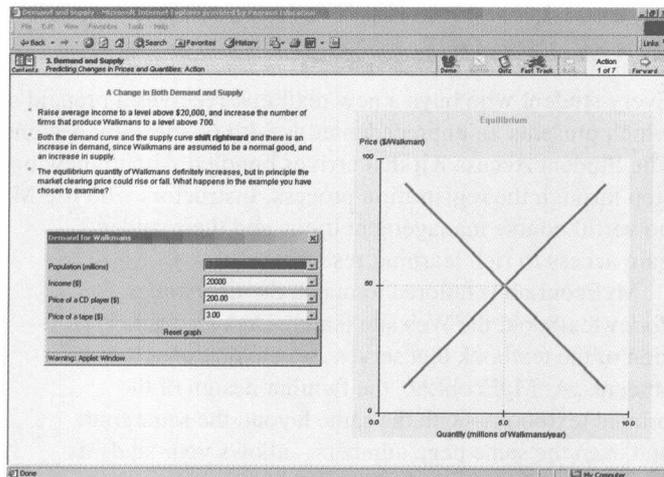
The goal of the multimedia features is to sharpen students' overall mastery of economics by reinforcing their command of economic theory and bolstering their ability to analyze graphs. Students experience multimedia content in the context of what they are learning in each chapter.



-  In video clips, the author stresses the key points in every chapter and further clarifies concepts that students find most difficult to grasp.
-  To simplify the task of learning the vocabulary of economics, the key terms printed in bold type and defined in the text margin are available as audio clips. In addition to the definition, each clip includes an illuminating, relevant example or that extra word of explanation needed to cement students' understanding. Each chapter also includes an upbeat audio introduction by the author in which he discusses the chapter topics and focuses student attention on the most critical concepts.
-  Ten key economic ideas from the textbook are presented in online “Economics in Motion” features. These in-depth animations guide students through precise graphical presentations with detailed audio explanations. The step-by-step approach leads students through the action and clarifies the underlying economic theory. A “Content Guide” in each animation allows students to focus in on ideas they are struggling with.
-  Beginning students of economics are often apprehensive about working with graphs. Using the “Graphs in Motion” feature, curves shift with a click of the mouse, graphs come to life, and students' confidence builds. These animated graphs in every chapter foster graph-analyzing capabilities as points are plotted, curves are drawn, movement is simulated, and intersection points are called out.



Economics in Action, the market-leading interactive tutorial software in principles of economics, is now available via the Web. Icons in the text indicate the availability of in-depth modules that aid students' mastery of concepts through review, demonstration, and interaction. This interactive tutorial software has been developed by Michael Parkin and Robin Bade of the University of Western Ontario and adapted by David VanHoose of Baylor University and Scott Hunt of Columbus State Community College for use with *Economics Today*. The new release of the software offers five all-new modules on monopolistic competition, oligopoly, regulation, fiscal policy, and balance of payments and exchange rates.



Four ten-question quizzes per chapter, with tutorial feedback, allow students to gauge their understanding of the material.



One more tool to encourage students to succeed at economics is the Study Guide. Students can download a PDF version of the material from the print Study Guide for every chapter at no additional cost.



MyEconLab gives your students complimentary access to the **Econ Tutor Center**. Qualified economics instructors are on call five days a week to answer questions via phone, fax, and e-mail.



Flashcards are an easy and effective study device for mastering the key terms in each chapter. Students can choose to review by term or definition for any subset of chapters they desire.

And There's More.....

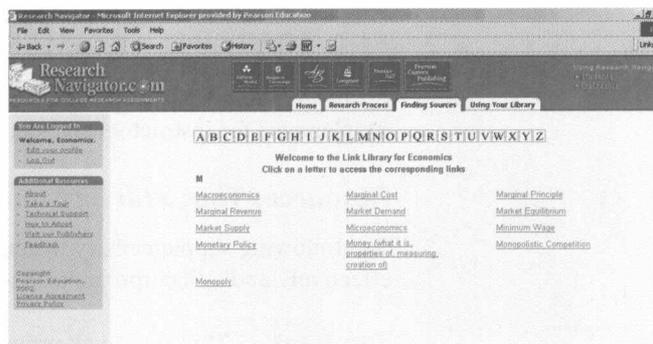
Students whose instructors use MyEconLab also gain access to the following materials:

Weekly News A new microeconomic and macroeconomic current events article with discussion questions is posted online every week by Andrew J. Dane of Angelo State University. Instructor answer keys are available. Students can also test their knowledge of current events in a five-question quiz posted each week.

MathXL for Economics This is a powerful tutorial to refresh students on the basics of creating and interpreting graphs; solving applied problems using graphs; calculating ratios and percentages; performing calculations; calculating averages, medians, and modes; and finding areas.

Research Navigator This one-stop research tool provides extensive help on the entire research process, including evaluating sources, drafting, and documentation, as well as access to a variety of scholarly journals and publications, a complete year of search for full-text articles from the *New York Times*, and a “Best of the Web” Link Library of peer-reviewed Web sites.

eThemes of the Times These thematically related articles from the *New York Times* are accompanied by critical thinking questions.



SUPERIOR SUPPORT FOR ONLINE COURSES

MyEconLab is available in an easy-to-use comprehensive online course contained within Addison-Wesley’s premier Blackboard-based course management system, **CourseCompass**. CourseCompass includes all the powerful Blackboard features for teaching and learning, allowing you to easily build and manage online course materials that enhance your classroom teaching time. If you have an Internet connection and a Web browser, you can use MyEconLab. Because MyEconLab is nationally hosted, there is no need for anyone at your academic institution to set up or maintain your course.

As an instructor using MyEconLab, you will have a wealth of content, resources, and powerful tools preloaded in a downloadable course that you can customize.

The advantages of MyEconLab include:

- **Convenience** All of the supplementary items available with the text, including the PowerPoint Lecture Presentation, Test Banks 1, 2, and 3, and the Instructor’s Manual, are preloaded (see page xxviii for a description of the instructor support package).
- **Flexibility** CourseCompass lets you add files of any type to your course, from simple text documents to complex slide presentations and animations.
- **Automated grading** CourseCompass grades student assessments as students complete them and automatically posts scores to an online gradebook. As a result, you can spend more time teaching and less time grading.
- **Superior customer support** CourseCompass provides customer support as well as the Instructor Quick Start Guide and a comprehensive online help system tailored to your needs. CourseCompass also includes a Student Access Kit and online help for students, so you can focus on teaching your course, not on teaching CourseCompass.

For more information on MyEconLab or to learn about receiving Web content in other course management platforms such as WebCT and Blackboard, contact your local Addison-Wesley sales representative.

AN EXPANSIVE, INNOVATIVE TEACHING AND LEARNING PACKAGE

Economics Today is accompanied by a variety of technologically innovative and useful supplements for instructors and students.

Resources That Will Lighten Your Teaching Load

The following supplementary materials are available to help busy instructors teach more effectively and to incorporate technological resources into their principles courses.

Test Bank 1 This Test Bank provides over 3,500 multiple-choice questions and more than 250 short-essay questions with answers. Revised by Michael Goode of Central Piedmont Community College and John Ifediora of the University of Wisconsin, the questions have undergone extensive classroom testing for a number of years.

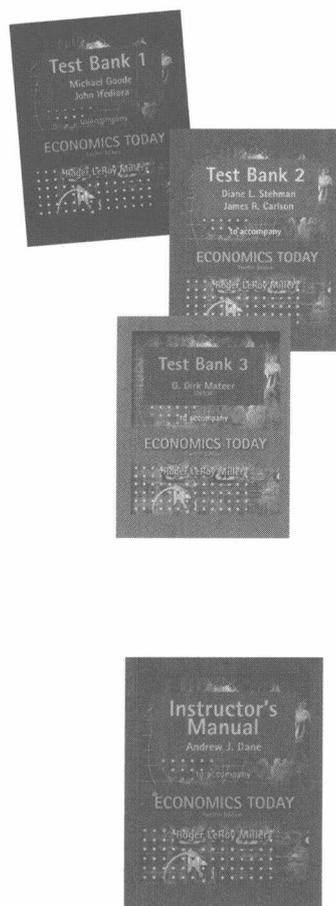
Test Bank 2 Revised by Diane L. Stehman of Northeastern Illinois University and James R. Carlson of Manatee Community College, this test bank includes over 3,000 multiple-choice questions and more than 250 short-essay questions. These questions have been class-tested by many professors, including Clark G. Ross, coauthor of the National Competency Test for economics majors for the Educational Testing Service in Princeton, New Jersey.

Test Bank 3 This new test bank features 3,000 entirely new test questions expertly assembled from a team of contributors by G. Dirk Mateer of Penn State University. Test Bank 3 incorporates the best question-writing tactics and time-tested approaches of a number of dedicated and experienced instructors, including Bruce W. Bellner of Ohio State University, Marion, Marie Duggan of Keene State College, Susan Glanz of St. Joseph's University, Teresa Laughlin of Pomona College, Debbie Mullin of the University of Colorado at Colorado Springs, Densel L. Myers of Oklahoma City Community College, and David Schlow of Penn State University.

Instructor's Manual Prepared by Andrew J. Dane of Angelo State University, the Instructor's Manual provides new lecture-ready examples in the same format as the in-text examples. It also includes the following materials:

- Chapter overviews, objectives, and outlines
- Points to emphasize for instructors who wish to stress theory
- Answers to “Issues and Applications” critical thinking questions
- Further questions for class discussion
- Answers to the even-numbered end-of-chapter problems
- Detailed step-by-step analyses of the end-of-chapter problems
- Suggested answers to “Tying It All Together” case questions
- Annotated answers to selected student learning questions
- Selected references

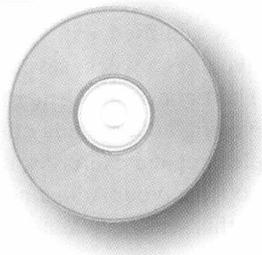
Four-Color Overhead Transparencies One hundred of the most important graphs from the textbook are reproduced as full-color transparency acetates. Many contain multiple overlays.



Instructor's Resource Disk (IRD) with PowerPoint Lecture Presentation.

Compatible with Windows and Macintosh computers, this CD-ROM provides numerous resources.

The PowerPoint Lecture Presentation was developed by Jeff Caldwell, Steve Smith, and Mark Mitchell of Rose State College and revised by Debbie Mullin of the University of Colorado at Colorado Springs. With nearly 100 slides per chapter, the PowerPoint Lecture Presentation animates graphs from the text; outlines key terms, concepts, and figures; and provides direct links for in-class Internet activities.



For added convenience, the IRD also includes Microsoft Word files for the entire contents of the Instructor's Manual and computerized test bank files of Test Banks 1, 2, and 3. The easy-to-use testing software (TestGen-EQ with QuizMaster-EQ for Windows and Macintosh) is a valuable test preparation tool that allows professors to view, edit, and add questions. *You will have 10,000 questions at your fingertips!*

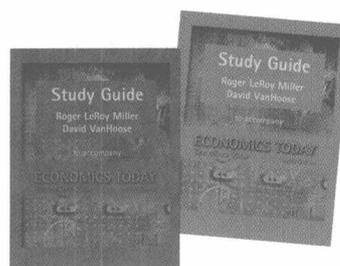
Economics Experiments in the Classroom Available at www.MyEconLab.com, this resource was developed by Denise Hazlett of Whitman College. These economics experiments involve students in actively testing economic theory. In addition to providing a variety of micro and macro experiments, this supplement offers step-by-step guidelines for successfully running experiments in the classroom.

Additional Homework Problems Practice Tests consisting of 10 additional problems per chapter and sample midterm and final exams are available for download from www.MyEconLab.com. Each homework problem is accompanied by suggested answers. To simplify the grading process, the password-protected answer key is available for instructors to download.

Proven Resources Guarantee Student Success

The following supplementary materials are available to aid and enhance students' mastery of concepts.

Study Guide The Micro View and Macro View Study Guides have been written by the author and updated by David VanHoose. These valuable guides offer the practice and review students need to succeed. They have been thoroughly revised to take into account the significant changes in many of the chapters of the Twelfth Edition. Each Study Guide is firmly oriented toward helping students learn what they need to know to succeed in the course—and in life. An electronic version of the Study Guide is available in MyEconLab.



Economics and Your Everyday Life Available at www.MyEconLab.com, this booklet offers numerous practical applications of economics and guidance for analyzing economic news.

RESOURCES AVAILABLE FOR CONVENIENT PACKAGING WITH THE TEXT

The Econ Tutor Center

Staffed by qualified, experienced college economics instructors, the Econ Tutor Center is open five days a week, seven hours a day. Tutors can be reached by phone, fax, and e-mail. The Econ Tutor Center hours are designed to meet your students' study schedules, with evening hours Sunday through Thursday. Students receive one-on-one tutoring on examples, related exercises, and problems. Access is available through MyEconLab; please contact your Addison-Wesley representative for information on other options for making this service available to your students.

Economist.com Edition

The premier online source of economic news analysis, economist.com provides your students with insight and opinion on current economic events. Through an agreement between Addison-Wesley and *The Economist*, your students can receive a low-cost subscription to this premium Web site for three months, including the complete text of the current issue of *The Economist* and access to *The Economist's* searchable archives. Other features include Web-only weekly articles, news feeds with current world and business news, and stock market and currency data. Professors who adopt this special edition will receive a complimentary one-year subscription to economist.com.

Wall Street Journal Edition

Addison-Wesley is also pleased to provide your students with access to the *Wall Street Journal*, the most respected and trusted daily source for information on business and economics. For a small additional charge, Addison-Wesley offers your students a 10-week subscription to the *Wall Street Journal* print edition and the *Wall Street Journal Interactive Edition*. Adopting professors will receive a complimentary one-year subscription to both the print and interactive versions.

Financial Times Edition

Featuring international news and analysis from journalists in more than 50 countries, the *Financial Times* will provide your students with insights and perspectives on economic developments around the world. The *Financial Times Edition* provides your students with a 15-week subscription to one of the world's leading business publications. Adopting professors will receive a complimentary one-year subscription to the *Financial Times* as well as access to the online edition at FT.com.