

N. Gregory Mankiw

BRIEF PRINCIPLES OF MACROECONOMICS

FOURTH EDITION





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MACROECONOMICS
FOURTH EDITION

N. GREGORY MANKIW
HARVARD UNIVERSITY

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N. Gregory Mankiw

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*To Catherine, Nicholas, and Peter,
my other contributions to the next generation*

ABOUT THE AUTHOR

N. Gregory Mankiw is professor of economics at Harvard University. As a student, he studied economics at Princeton University and MIT. As a teacher, he has taught macroeconomics, microeconomics, statistics, and principles of economics. He even spent one summer long ago as a sailing instructor on Long Beach Island.



Professor Mankiw is a prolific writer and a regular participant in academic and policy debates. His work has been published in scholarly journals, such as the *American Economic Review*, *Journal of Political Economy*, and *Quarterly Journal of Economics*, and in more popular forums, such as *The New York Times*, *The Financial Times*, *The Wall Street Journal*, and *Fortune*. He is also author of the best-selling intermediate-level textbook *Macroeconomics* (Worth Publishers). In addition to his teaching, research, and writing, Professor Mankiw has been a research associate of the National Bureau of Economic Research, an adviser to the Federal Reserve Bank of Boston and the Congressional Budget Office, and a member of the ETS test development committee for the advanced placement exam in economics. From 2003 to 2005, he served as chairman of the President's Council of Economic Advisers.

Professor Mankiw lives in Wellesley, Massachusetts, with his wife, Deborah, three children, Catherine, Nicholas, and Peter, and their border terrier, Tobin.

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Currency

Mankiw continues to keep the study of economics fresh and relevant for new principles students. To achieve this approach, the Fourth Edition delivers multiple new boxed features and case studies on topics such as: how economic statistics can miss the underground economy, recent research into the causes of child labor in poor nations, the impact of Hurricane Katrina, and fiscal challenges ahead that arise from an aging population.



FYI

Who Studies Economics?

As a college student, you might be asking yourself: How many economics classes should I take? How useful will this stuff be to me later in life? Economics can seem abstract at first, but the field is fundamentally very practical, and the study of economics is useful in many different career paths. Here is a small sampling of some well-known people who majored in economics when they were in college.

Meg Whitman Chief Executive Officer, eBay	Tiger Woods Golfer
Ronald Reagan Former President of the United States	Steve Ballmer Chief Executive Officer, Microsoft
William F. Buckley Journalist	Arnold Schwarzenegger Governor of California
Danny Glover Actor	Sandra Day O'Connor Former Supreme Court Justice
Barbara Boxer U.S. Senator	Mike Jagger Singer for The Rolling Stones
John Elway NFL Quarterback	
Ted Turner Founder of CNN and Owner of Atlanta Braves	
Karl Annun Secretary General, United Nations	
Uwe Gellert Singer	
Michael Kinsley Journalist	
Ben Stein Political Speechwriter, Actor, and Game Show Host	
Cate Blanchett Actor	
Anthony Zinni General, U.S. Marine Corps	



When asked in 2003 why The Rolling Stones were going on tour again, former economics major Mike Jagger replied: "Supply and demand." Keith Richards added: "If the demand's there, we'll supply."

Engaging Examples In the White House

In Chapter 2, a new case study titled "Mr. Mankiw goes to Washington" discusses Greg's recent experience as the Chairman of the Council of Economic Advisors to the President.

Offshore Outsourcing

The Fourth Edition includes a new discussion and boxed feature analyzing the current debate on offshore outsourcing.

In The News



The Rationale for a Scaled-Back City
By Jon E. Hilsenrath

House Speaker Dennis Hastert learned the hard way the perils of kicking a city when it's down. He was quoted in an Illinois newspaper shortly after Hurricane Katrina hit saying much of New Orleans "could be bulldozed" after the disaster, and opponents quickly silenced him with accusations of callousness and heartlessness.

The hurricane has clearly shown that New Orleans is home to energy and transportation infrastructure vital to the

Hurricane Katrina and Its Aftermath

Just as governments try to help the victims of poverty, they try to help the victims of natural disasters. When Hurricane Katrina devastated New Orleans and the surrounding areas, policymakers and economists started pondering the best way to respond.

nation's economy. It's a city with a rich history and a vibrant cultural scene (and party life) that the nation values. And it's home to nearly 500,000 people with ties to their community. All are arguments for a big effort to get the city back on its feet quickly. History has also shown that cities have a way of bouncing back after crisis. (Think of Chicago's great fire more than a century ago.)

But some economists are starting to wonder if Mr. Hastert might have had a point about caution when it comes to rebuilding New Orleans, as poorly articulated as it might have been. It's not just the city's natural disadvantages

(much of it is located below sea level) that worry economists. It's also its economic position—rampant poverty and an aversion of people and businesses, even before the hurricane touched down—and the need to avoid creating incentives that could lead to development that is no less vulnerable.

"We have an obligation to people, not to places," says Edward Glaeser, a Harvard professor who specializes in urban economics. "Given just how much, on a per capita basis, it would take to rebuild New Orleans to its former glory, lots of residents would be

Clarity of Writing

The power of Mankiw's writing style comes from his ability to put himself in the shoes of someone encountering economics for the first time. He presents the economic principles in a way that engages and enlightens students. This writing style speaks to students and allows them to see how economics plays a part in their day to day lives.

Congressional Budget Office
Federal Reserve Board
<http://www.cbo.gov>
<http://www.federalreserve.gov>

CASE STUDY MR. MANKIW GOES TO WASHINGTON

The author of the textbook you are now reading is, I will readily admit, a typical, nerdy college professor: more comfortable in the world of dusty books than in the world of glad-handing politicians. But from 2003 to 2005, I had the opportunity to leave the ivory tower and become the chairman of Council of Economic Advisors. For two years, I was President Bush's chief economist.

As chair of the CEA, I met with the President about twice a week. Some of these meetings were briefings on the state of the economy; most were discussions of current issues in economic policy. I worked closely with other members of the White House staff to analyze policy options and brief the President on a wide range of topics, such as tax policy, the federal budget, Social Security, and international trade. I also met regularly with economic officials outside the White House, such as Secretary of the Treasury John Snow and Federal Reserve Chairman Alan Greenspan, and with leaders of the business community.

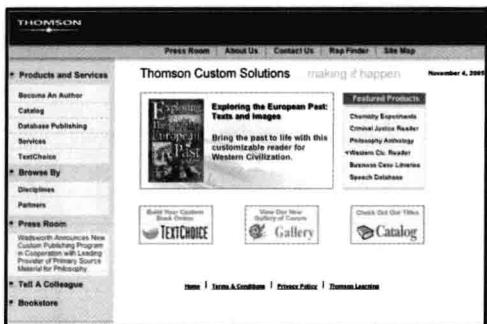
For anyone used to the measured pace and quiet reflection of university life, taking such a job is exhilarating. Sitting in the Oval Office, flying on Air Force One, and spending the weekend with the President at Camp David are unforgettable experiences. Testifying as the President's representative before congressional committees, which include members who are usually partisan and sometimes hostile, is also an experience a person does not easily forget—no matter how hard one might try.

During my two years in Washington, I learned a lot about the process by which economic policy is made. It differs in many ways from the idealized policy process assumed in economics textbooks.

Throughout this text, whenever we discuss economic policy, we often focus on one question: What is the best policy for the government to pursue? We act as if policy were set by a benevolent king. Once the king figures out the right pol-

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In this chapter, look for the answers to these questions:

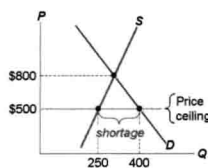
- What kinds of questions does economics address?
- What are the principles of how people make decisions?
- What are the principles of how people interact?
- What are the principles of how the economy as a whole works?

CHAPTER 1

How price ceilings affect market outcomes

The eq'm price (\$800) is above the ceiling and therefore illegal.

The ceiling is a binding constraint on the price, and causes a shortage.



CHAPTER 6 SUPPLY, DEMAND, AND GOVERNMENT POLICIES



<http://mankiwtown.swlearning.com>

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Match your learning materials to your syllabus and create the perfect learning solution. Consider the following when looking at your customization options for Mankiw 4e:

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- Include contemporary economic issues from our Economic Issues Collection, found on our custom web site.

Classroom Experience

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Our all-new instructor Premium PowerPoint for Mankiw's *Principles of Economics* has been designed to incorporate the principles of effective teaching. Lecture material is blended with brief active-learning exercises for immediate reinforcement, application, and informal assessment. Many slides are annotated with helpful notes and graphs are animated as you might draw them on the blackboard.

Instructor Experience

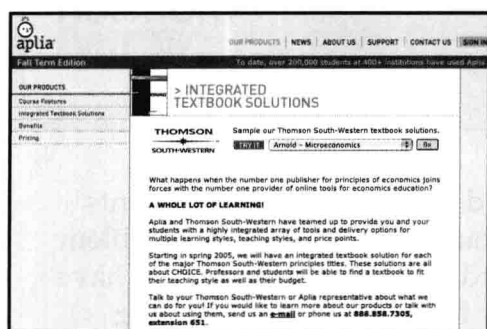
MankiwTown Instructor Community Web Site

We invite you to join our MankiwTown instructor community Web site. In MankiwTown, you will find opportunities to learn more about Mankiw 4e, share ideas with colleagues, participate in upcoming events, and enter to win great prizes! This is truly the way to experience all that Mankiw 4e has to offer.

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Thomson is proud to announce our partnership with Aplia Inc.! Created by Paul Romer, one of the nation's leading economists, Aplia enhances teaching and learning by providing online interactive tools and experiments that help economics students become "active learners." Our partnership allows a tight content correlation between Mankiw 4e and Aplia's online tools.



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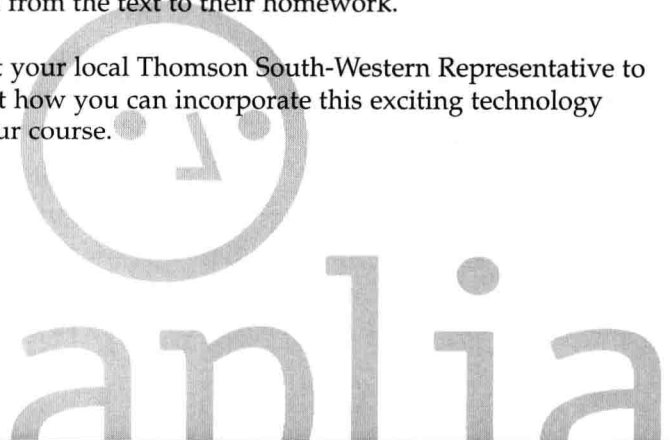
Students Come to Class Prepared

It is a proven fact that students do better in their course work if they come to class prepared. Aplia's activities are engaging and based on discovery learning, requiring students to take an active role in the learning process. When assigned online homework, students are more apt to read the text, come to class better prepared to participate in discussions, and are more able to relate to the economic concepts and theories presented. Learning by doing helps students feel involved, gain confidence in the materials, and see important concepts come to life.

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Fundamental
Learning
Activities

Diagnostics

Tutorials

Homework

Quizzing

Testing

In addition, self-paced tutorials support students with explanations, examples, step-by-step problem solving, and unlimited practice. Students also have access to the Mankiw Fourth Edition Graphing Workshops, Ask the Instructor video lessons as well as access to EconNews, EconDebate, EconLinks and EconData.

For Mankiw Fourth Edition instructors, **ThomsonNOW™** provides a powerful gradebook and course management tools, compatible with both WebCT and Blackboard. Instructors can quickly create their own assignments and tests, drawing from the wealth of exercises provided or authoring their own questions. The variety of problem types allows instructors to assess the way they teach. Customized assignments can be copied easily for use in additional sections or future terms, making class management progressively easier.

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- Greg Mankiw Answers Key Questions Videos (formerly Ask the Author Videos) — Greg Mankiw Answers Key Questions Video clips provide the student with an opportunity to hear from the author himself as he reviews and clarifies difficult material.
- The Graphing Workshop

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In addition to these product correlations, you will benefit from chapter-by-chapter integration of these valuable economics resources, all designed to help you more effectively, and most importantly, more efficiently, teach your Principles course:

- **Favorite Ways to Learn Economics**, by Anderson and Chasey, brings economics to life through structured experiments that students perform in groups and individually. (0-324-22202-5)
- **MarketSim** (<http://marketsim.swlearning.com>), by Porter and Schueller, an online microeconomics simulation, designed to help students understand how markets work by providing them the opportunity to take on the roles of consumers and producers in a simulated economy. (Student Manual: 0-324-22205-X; Instructor Manual: 0-324-22206-8)
- **Economic Report of the President**: Add a dose of reality to your course and allow students to discover how economics can influence the design of public and administration policies. (0-324-32091-4)
- **Economics in the Movies** (<http://economicsinthemovies.swlearning.com>), by Mateer, allows you to bring economic topics to life in a context that students will relate to and truly enjoy. This product consists of clips from recent popular films and classic movies that show economic elements playing a role in the story. (Student Manual: 0-324-30261-4)
- **Issues in American Economic History**, by Miller and Sexton, provides an excellent link between economic principles and how these principles have been impacted by American economic history. (0-324-29017-9)

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— all designed to make your course as powerful as possible — at Thomson South-Western's Web site: <http://www.swlearning.com>, or contact your local Thomson South-Western representative for special bundling opportunities that can save your students money!

CHAPTER 1

Ten Principles of Economics

CHAPTER SECTION	IDEAS FOR INSTRUCTION PRINT RESOURCES	IDEAS FOR INSTRUCTION MEDIA & INTERNET RESOURCES
INTRODUCTION	Instructor's Manual <ul style="list-style-type: none"> Bright Ideas (3) Warnings (1) 	ThomsonNOW™ http://now.swlearning.com/mankiw <ul style="list-style-type: none"> Ask the Instructor Video <i>Why Is Economics Difficult for Some Students?</i> ABC News Videos http://mankiw.swlearning.com For section-by-section correlations of these robust media resources— <i>all new to Mankiw</i> —access the Web version of this Resource Integration Guide at the Mankiw product support site. Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 1-2 (Chapter introduction and chapter definitions)
HOW PEOPLE MAKE DECISIONS	Text Quick Quiz Instructor's Manual <ul style="list-style-type: none"> Bright Ideas (1) Warnings (1) Study Guide Practice Problems 1-2 and Advanced Critical Thinking Questions 1-4 Favorite Ways to Learn Economics Problem Set 1.1, "Allocating Resources," and Problem Set 1.3, "Marginal Analysis" Economics in the Movies http://economicsinthemovies.swlearning.com Scene 15: "Efficiency: Along Came Polly"	ThomsonNOW™ http://now.swlearning.com/mankiw <ul style="list-style-type: none"> Ask the Instructor Videos <i>Why Are Economists Always Talking About Money and Wealth?, Why do Economists Emphasize Marginal Analysis?, and Does It Sometimes Cost Too Much to Save a Life?</i> Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 3-13 (Principles 1-4 with additional examples for each principle and Quick Quiz w/answers) Ten Principles of Economics Video http://mankiw.swlearning.com Principle #1, "People Face Tradeoffs"
HOW PEOPLE INTERACT	Text "FYI: Adam Smith and the Invisible Hand" and Quick Quiz Instructor's Manual <ul style="list-style-type: none"> Activity 1: "Getting Dressed in the Global Economy" Favorite Ways to Learn Economics Classroom Experiment 1.A, "Economics Is All Around Us: Hot Dog Vendors on the Beach" Economic Report of the President Ch. 7, "Government Regulation in a Free-Market Society"	Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 14-24 (Principles 5-7 with additional examples for each principle, chapter definitions and discussion questions)
HOW THE ECONOMY AS A WHOLE WORKS	Text "FYI: How to Read this Book" and Quick Quiz Instructor's Manual <ul style="list-style-type: none"> Activity 2: "So Many Things to Do, So Little Time" Economic Report of the President Ch. 1, "Lessons from the Recent Business Cycle"	ThomsonNOW™ http://now.swlearning.com/mankiw <ul style="list-style-type: none"> Economic Applications: <ul style="list-style-type: none"> EconNews, "Measuring Housing Prices" (Source: <i>The New York Times Online</i>, June 2005) EconData, "What Are Housing Starts?" Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 25-32 (Principles 8-10 with additional examples for each principle and coverage of "FYI: How to Read This Book")
CONCLUSION		Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 33-36 (Chapter summary)

Thinking Like an Economist

CHAPTER
2

CHAPTER SECTION	IDEAS FOR INSTRUCTION PRINT RESOURCES	IDEAS FOR INSTRUCTION MEDIA & INTERNET RESOURCES
INTRODUCTION		ABC News Videos http://mankiw.swlearning.com For section-by-section correlations of these robust media resources—all new to Mankiw—access the Web version of this Resource Integration Guide at the Mankiw product support site. Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slide 1 (Chapter introduction)
THE ECONOMIST AS SCIENTIST	Text “FYI: Who Studies Economics?” and Quick Quiz Instructor’s Manual <ul style="list-style-type: none"> Activity 1: “Realism and Models: An Analogy” Bright Ideas (5) Warnings (1) Study Guide Practice Problem 1 (Circular Flow Diagram), Practice Problem 2 (Production Possibilities Frontier), and Practice Problem 3 (Production Possibilities Frontier) Favorite Ways to Learn Economics Classroom Experiment 1.B, “Production Possibilities Frontier Experiment: Links and Smiles,” Problem Set 1.4, “Production Possibility Curves,” Problem Set 1.5, “Shifting Production Possibility Curves,” and Classroom Experiment 11.A, “Getting Into the (Circular) Flow of Things”	ThomsonNOW™ http://now.swlearning.com/mankiw <ul style="list-style-type: none"> SketchIt No. 2-1 and 2-2 The Graphing Workshop “Production Possibilities” Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 2-31 (Role of the economist defined, examples of economic models, the circular-flow diagram, the production possibilities frontier, and micro versus macro economics defined) Slide 37 (“FYI: Who Studies Economics?”)
THE ECONOMIST AS POLICY ADVISER	Text “In the News: Super Bowl Economics,” “Case Study: Mr. Mankiw Goes to Washington,” and Quick Quiz Instructor’s Manual <ul style="list-style-type: none"> Bright Ideas (1) Warnings (1) 	Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 32-34 (Chapter outline and Quick Quiz w/answers)
WHY ECONOMISTS DISAGREE	Text Quick Quiz Instructor’s Manual <ul style="list-style-type: none"> Bright Ideas (1) Study Guide Advanced Critical Thinking, Questions 1, 2, and 3 (Why Economists Disagree)	Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 35-36 (Chapter outline and summary of Table 2)
LET’S GET GOING	Text “In the News: Why You Should Study Economics” Issues in American Economic History Ch. 1, “Introduction”	
APPENDIX: GRAPHING: A BRIEF REVIEW	Instructor’s Manual <ul style="list-style-type: none"> Bright Ideas (2) Warnings (1) Favorite Ways to Learn Economics Classroom Experiment 4.B, “Learning Graphs the Fun Way: Blind Curve”	ThomsonNOW™ http://now.swlearning.com/mankiw <ul style="list-style-type: none"> The Graphing Workshop “Working with Graphs”

CHAPTER 3

Interdependence and the Gains from Trade

CHAPTER SECTION	IDEAS FOR INSTRUCTION PRINT RESOURCES	IDEAS FOR INSTRUCTION MEDIA & INTERNET RESOURCES
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A PARABLE FOR THE MODERN ECONOMY	Text Quick Quiz Instructor's Manual <ul style="list-style-type: none"> Bright Ideas (3) Warnings (2) Study Guide Practice Problem 1	ThomsonNOW™ http://now.swlearning.com/mankiw <ul style="list-style-type: none"> SketchIt No. 3-1 and 3-2 Economic Application: — <i>EconNews</i>, "The Wealth of Nations, Part II" (Source: <i>The Washington Post</i>) The Graphing Workshop "Production Possibilities" and "Specialization and Trade" Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 4-18 (Alternative international trade example) Ten Principles of Economics Video http://mankiw.swlearning.com Principle #5, "Trade Can Make Everyone Better Off"
COMPARATIVE ADVANTAGE: THE DRIVING FORCE OF SPECIALIZATION	Text "FYI: The Legacy of Adam Smith and David Ricardo" and Quick Quiz Instructor's Manual <ul style="list-style-type: none"> Activity 1: "Creating Comparative Advantage Examples" Warnings (1) Study Guide Practice Problems 2 and 3 Favorite Ways to Learn Economics Problem Set 1.2, "Calculating Opportunity Cost" Economics in the Movies http://economicsinthemovies.swlearning.com Scene 1: "Opportunity Cost: <i>The Family Man</i> " and Scene 10: "Comparative Advantage: <i>Babe</i> "	ThomsonNOW™ http://now.swlearning.com/mankiw <ul style="list-style-type: none"> Ask the Instructor Videos <i>Why Does the Average College Language Teacher Earn Considerably Less Than the Average College Accounting Teacher?</i> and <i>If Restricting Trade with Foreign Nations Is a Good Idea, As Many Professors, Why Not Restrict Trade Among U.S. States?</i> Economic Application: — <i>Policy Debate</i>, "Should the U.S. Reinstitute a Military Draft?" Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 19-26 (Opportunity cost and comparative advantage and Quick Quiz w/answers) Ten Principles of Economics Video http://mankiw.swlearning.com Principle #2, "The Cost of Something Is What You Give Up to Get It"
APPLICATIONS OF COMPARATIVE ADVANTAGE	Text "In the News: Evolution and Economics" and Quick Quiz Instructor's Manual <ul style="list-style-type: none"> Activity 2: "A Short Trip with Many Contributors" Bright Ideas (2) Study Guide Helpful Hints 1 and 2 (Comparative Advantage) and Advanced Critical Thinking Questions 1-3 Favorite Ways to Learn Economics Classroom Experiment 12.B, "Comparative Advantage Experiment: To Everyone's Advantage" and Problem Set 12.6, "Comparative and Absolute Advantage"	Business & Company Resource Center http://bcrc.swlearning.com "A 21st Century U.S. Trade Policy" (Source: <i>National Review</i> , February 2004)
CONCLUSION	Issues in American Economic History Ch. 4, "The Age of Exploration and Spanish Colonization"	Premium PowerPoint® http://mankiw.swlearning.com <ul style="list-style-type: none"> Slides 27-28 (Chapter summary)

The Market Forces of Supply and Demand

CHAPTER 4

CHAPTER SECTION	IDEAS FOR INSTRUCTION PRINT RESOURCES	IDEAS FOR INSTRUCTION MEDIA & INTERNET RESOURCES
INTRODUCTION		<p>ABC News Videos http://mankiw.swlearning.com For section-by-section correlations of these robust media resources—all new to Mankiw—access the Web version of this Resource Integration Guide at the Mankiw product support site.</p> <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> Slide 1 (Chapter introduction)
MARKETS AND COMPETITION	<p>Text Quick Quiz</p> <p>Instructor's Manual</p> <ul style="list-style-type: none"> Bright Ideas (1) Warnings (1) <p>Favorite Ways to Learn Economics Classroom Experiment 2.A, "Buying and Selling Snipes in the Pit Market"</p> <p>Economics in the Movies http://economicsinthemovies.swlearning.com Scene 20: "Auctions: The River"</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> Ask the Instructor Videos <i>What Are the Major Differences Between the Four Market Structures? and Is the U.S. Auto Industry More or Less Competitive Today Than it Was in the Past?</i> <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> Slide 2 (Definitions for market, competitive market, and perfectly competitive market)
DEMAND	<p>Text "Case Study: Two Ways to Reduce the Quantity of Smoking Demanded" and Quick Quiz</p> <p>Instructor's Manual</p> <ul style="list-style-type: none"> Bright Ideas (3) Warnings (2) <p>Favorite Ways to Learn Economics Problem Set 2.2, "Shifting Demand Curves"</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> Ask the Instructor Videos <i>Why Do Consumers Typically Buy Less of An Item When Its Price Rises?, What Factors Would Affect the Auction Price of a House That You Might Own?, and Why Are Taxes on Cigarettes So High?</i> Economic Application: — <i>EconNews</i>, "Baseball Prices Cause Home Run" (Source: New York Times, April 2002) The Graphing Workshop "Demand" <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> Slides 3-20 (Additional example for demand and Quick Quiz w/answers)
SUPPLY	<p>Text Quick Quiz</p> <p>Instructor's Manual</p> <ul style="list-style-type: none"> Bright Ideas (3) <p>Favorite Ways to Learn Economics Problem Set 2.3, "Shifting Supply Curve"</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> The Graphing Workshop "Supply" <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> Slides 21-36 (Additional example for supply—Starbucks—and Quick Quiz w/answers)
SUPPLY AND DEMAND TOGETHER	<p>Text "In the News: Political Unrest Shifts the Supply Curve" and Quick Quiz</p> <p>Instructor's Manual</p> <ul style="list-style-type: none"> Activity 1: "A Market Example" Activity 2: "Campus Parking" Activity 3: "Cold Soda" Activity 4: "Supply and Demand" Bright Ideas (5) Warnings (1) <p>Study Guide Practice Problems 1-3 (Equilibrium) and Advanced Critical Thinking Questions 1-3</p> <p>Favorite Ways to Learn Economics Classroom Experiment 2.B, "Penning Supply and Demand Curves," and Problem Set 2.1, "Graphing Supply and Demand"</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> Ask the Instructor Videos <i>Do Prices Adjust More Quickly in Some Markets Than in Others? and In Economics, Do the Terms Scarcity and Shortage Mean the Same Thing?</i> SketchIt No. 4-1 and 4-2 Economic Application: — <i>EconNews</i>, "The Apartment's Great, But Will You Pay My Rent for Me?" (Source: <i>The Wall Street Journal</i>, February 2004) The Graphing Workshop "Market Equilibrium" <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> Slides 37-57 (Equilibrium price, equilibrium quantity, surplus and shortage defined, with additional examples and Quick Quiz w/answers)
CONCLUSION: HOW PRICES ALLOCATE RESOURCES	<p>Instructor's Manual</p> <ul style="list-style-type: none"> Bright Ideas (1) 	<p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> Slides 58-61 (Chapter summary)

CHAPTER 5

Measuring a Nation's Income

CHAPTER SECTION	IDEAS FOR INSTRUCTION PRINT RESOURCES	IDEAS FOR INSTRUCTION MEDIA & INTERNET RESOURCES
INTRODUCTION		<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> • Ask the Instructor Video <i>What Is Included in the Calculation of GDP?</i> <p>ABC News Videos http://mankiw.swlearning.com For section-by-section correlations of these robust media resources—all new to Mankiw—access the Web version of this Resource Integration Guide at the Mankiw product support site.</p> <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> • Slides 1-2 (Chapter introduction and microeconomics versus macroeconomics defined)
THE ECONOMY'S INCOME AND EXPENDITURE	Text Quick Quiz	<p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> • Slides 3-8 (Income and expenditure and the circular flow diagram coverage)
THE MEASUREMENT OF GROSS DOMESTIC PRODUCT (GDP)	Text "FYI: Other Measures of Income" and Quick Quiz	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> • Ask the Instructor Video <i>Why Are Some Nations Rich but Others Are Poor?</i> • Economic Application: — <i>EconData</i>, "Real Per-Capita Disposable Personal Income" <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> • Slides 9-14 (Coverage of how GDP is measured)
THE COMPONENTS OF GDP	<p>Text "Case Study: The Components of U.S. GDP" and Quick Quiz</p> <p>Study Guide Practice Problem 1 and Advanced Critical Thinking Questions 1-4</p> <p>Economics in the Movies http://economicsinthemovies.swlearning.com Scene 9: "Measuring Economic Performance: Traffic"</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> • Economic Applications: — <i>EconNews</i>, "Consumer Optimism High" (Source: <i>The New York Times Online</i>, June 2005), — <i>EconNews</i>, "Fourth Quarter 2004 GDP Revised Upward" (Source: <i>The New York Times Online</i>, February 2005) <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> • Slides 15-23 (Coverage of the components of GDP and Quick Quiz w/answers)
REAL VERSUS NOMINAL GDP	<p>Text "Case Study: Real GDP over Recent History," "In the News: GDP Lightens Up," and Quick Quiz</p> <p>Study Guide Practice Problems 2-4</p> <p>Favorite Ways to Learn Economics Problem Set 8.10, "The Misery Index"</p> <p>Economic Report of the President Ch. 3, "The Year in Review and the Years Ahead"</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> • SketchIt No. 23-1 • Economic Application: — <i>EconData</i>, "What Is Real GDP?" <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> • Slides 24-34 (Coverage of real versus nominal GDP and the GDP deflator w/additional examples and Quick Quiz w/answers)
IS GDP A GOOD MEASURE OF ECONOMIC WELL-BEING?	<p>Text "In the News: The Underground Economy," "Case Study: International Differences in GDP and the Quality of Life," "Case Study: Who Wins at the Olympics?," and Quick Quiz</p> <p>Instructor's Manual</p> <ul style="list-style-type: none"> • Activity 1: "National Income and Well-Being" <p>Study Guide Advanced Critical Thinking Question 5</p> <p>Favorite Ways to Learn Economics Problem Set 8.4, "Gross Domestic Product"</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> • Economic Application: — <i>EconNews</i>, "Two Keys to Long-Term Economic Recovery" (Source: <i>The New York Times</i>, July 2004) <p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> • Slides 35-41 (Coverage from GDP and economic well-being section of text with Table 3 illustrated)
CONCLUSION		<p>Premium PowerPoint® http://mankiw.swlearning.com</p> <ul style="list-style-type: none"> • Slide 42 (Chapter summary)

Measuring the Cost of Living

CHAPTER 6

CHAPTER SECTION	IDEAS FOR INSTRUCTION PRINT RESOURCES	IDEAS FOR INSTRUCTION MEDIA & INTERNET RESOURCES
INTRODUCTION		<p>ABC News Videos http://mankiw.swlearning.com For section-by-section correlations of these robust media resources—all new to <i>Mankiw</i>—access the Web version of this Resource Integration Guide at the Mankiw product support site.</p> <p>Premium PowerPoint® http://mankiw.swlearning.com • Slide 1 (Chapter introduction)</p>
THE CONSUMER PRICE INDEX	<p>Text "FYI: What Is in the CPI's Basket?," "In the News: Accounting for Quality Change," and Quick Quiz</p> <p>Instructor's Manual</p> <ul style="list-style-type: none"> • Activity 1: "Create a Student Price Index" <p>Study Guide Practice Problem 1 and Advanced Critical Thinking Question 1</p> <p>Favorite Ways to Learn Economics Problem Set 8.1, "The Consumer Price Index" and Problem Set 8.3, "Benchmarking Inflation"</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> • Economic Applications: <ul style="list-style-type: none"> — <i>EconNews</i>, "Measuring Housing Prices" (Source: <i>The New York Times Online</i>, June 2005), — <i>EconData</i>, "What Is the Consumer Price Index?" <p>Premium PowerPoint® http://mankiw.swlearning.com • Slides 2-18 (Text coverage of CPI illustrated including Figures 1 and 2, with additional examples and two Quick Quizzes w/answers)</p>
CORRECTING ECONOMIC VARIABLES FOR THE EFFECTS OF INFLATION	<p>Text "Case Study: Mr. Index Goes to Hollywood," "Case Study: Interest Rates in the U.S. Economy," and Quick Quiz</p> <p>Instructor's Manual</p> <ul style="list-style-type: none"> • Activity 2: "You Paid How Much?" <p>Study Guide Practice Problems 2-3 and Advanced Critical Thinking Questions 2-5</p>	<p>ThomsonNOW™ http://now.swlearning.com/mankiw</p> <ul style="list-style-type: none"> • Economic Application: <ul style="list-style-type: none"> — <i>EconData</i>, "What is the Interest Rate Spread?" <p>Premium PowerPoint® http://mankiw.swlearning.com • Slides 19-27 (Text coverage illustrated including Figure 3, with additional examples and Quick Quiz w/answers)</p>
CONCLUSION	<p>Favorite Ways to Learn Economics Classroom Experiment 6.B, "Learning from Teaching: The Anti-REM Game"</p>	<p>Premium PowerPoint® http://mankiw.swlearning.com • Slide 28 (Chapter summary)</p>

CHAPTER 7

Production and Growth

CHAPTER SECTION	IDEAS FOR INSTRUCTION PRINT RESOURCES	IDEAS FOR INSTRUCTION MEDIA & INTERNET RESOURCES
INTRODUCTION	Issues in American Economic History Ch. 2, "Economic Growth in the Global Economy"	ABC News Videos and Premium PowerPoint® http://mankiw.swlearning.com For section-by-section correlations of these robust media resources—all new to Mankiw—access the Web version of this Resource Integration Guide at the Mankiw product support site.
ECONOMIC GROWTH AROUND THE WORLD	Text "FYI: Are You Richer Than the Richest American?," "FYI: A Picture is Worth a Thousand Statistics," and Quick Quiz Study Guide Practice Problem 1	ThomsonNOW™ http://now.swlearning.com/mankiw • Economic Application: — EconNews , "China's Rise to Economic Power" (Source: <i>The New York Times Online</i> , June 2005)
PRODUCTIVITY: ITS ROLE AND DETERMINANTS	Text "FYI: The Production Function," "Case Study: Are Natural Resources a Limit to Growth?," and Quick Quiz Instructor's Manual • Activity 1: "The Universal Replicator" Study Guide Practice Problem 2 Economic Report of the President Ch. 10, "Health Care and Insurance"	ThomsonNOW™ http://now.swlearning.com/mankiw • Ask the Instructor Video <i>Have Computers Affected Worker Productivity?</i> • Economic Applications: — EconData , "What Is Labor Productivity?" — Policy Debate , "Is There a New Economy?" Ten Principles of Economics Video http://mankiw.swlearning.com Principle #8, "A Country's Standard of Living Depends on Its Ability to Produce Goods and Services"
ECONOMIC GROWTH AND PUBLIC POLICY	Text "In the News: Promoting Human Capital," "In the News: Rich Farmers versus the World's Poor," "In the News: Foreign Aid," and Quick Quiz Study Guide Practice Problem 3 and Advanced Critical Thinking Questions 2-3	ThomsonNOW™ http://now.swlearning.com/mankiw • Economic Application: — Policy Debates , "What Are the Pros and Cons of International Monetary Fund (IMF) Involvement with Global Economies?" and "Does Foreign Direct Investment Hinder or Help Economic Development?"
CONCLUSION: THE IMPORTANCE OF LONG-RUN GROWTH	Study Guide Advanced Critical Thinking Question 1 Favorite Ways to Learn Economics Problem Set 8.5, "Economic Growth" Issues in American Economic History Ch. 9, "Peace and Renewed Progress," and Ch. 10, "Increasing the Tempo of Economic Life" Economic Report of the President Ch. 2, "The Manufacturing Sector"	ThomsonNOW™ http://now.swlearning.com/mankiw • Ask the Instructor Video <i>How Important Is the Rate of Economic Growth to You?</i>