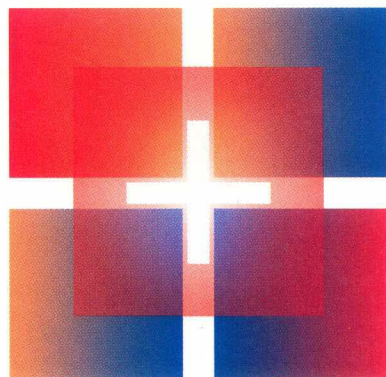


foundations of
ECONOMICS

Fourth Edition

ROBIN BADE ■ **MICHAEL PARKIN**

Foundations of ECONOMICS

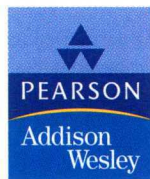


ROBIN BADE

MICHAEL PARKIN

University of Western Ontario

FOURTH EDITION



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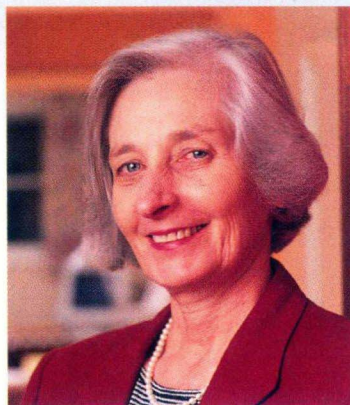
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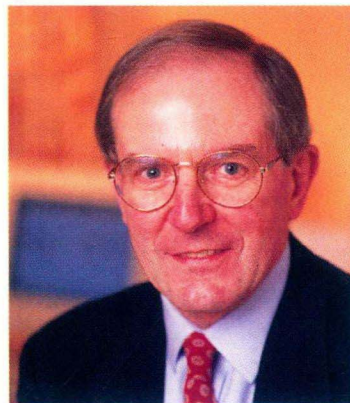
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About the Authors



Robin Bade was an undergraduate at the University of Queensland, Australia, where she earned degrees in mathematics and economics. After a spell teaching high school math and physics, she enrolled in the Ph.D. program at the Australian National University, from which she graduated in 1970. She has held faculty appointments at the University of Edinburgh in Scotland, at Bond University in Australia, and at the Universities of Manitoba, Toronto, and Western Ontario in Canada. Her research on international capital flows appears in the *International Economic Review* and the *Economic Record*.

Robin first taught the principles of economics course in 1970 and has taught it (alongside intermediate macroeconomics and international trade and finance) most years since then. She developed many of the ideas found in this text while conducting tutorials with her students at the University of Western Ontario.

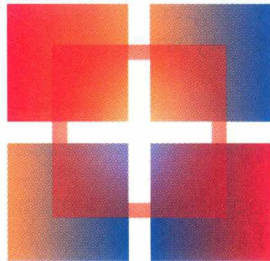


Michael Parkin studied economics in England and began his university teaching career immediately after graduating with a B.A. from the University of Leicester. He learned the subject on the job at the University of Essex, England's most exciting new university of the 1960s, and at the age of 30 became one of the youngest full professors. He is a past president of the Canadian Economics Association and has served on the editorial boards of the *American Economic Review* and the *Journal of Monetary Economics*. His research on macroeconomics, monetary economics, and international economics has resulted in more than 160 publications in journals and edited volumes, including the *American Economic Review*, the *Journal of Political Economy*, the *Review of Economic Studies*, the *Journal of Monetary Economics*, and the *Journal of Money, Credit, and Banking*. He is author of the best-selling textbook, *Economics* (Addison-Wesley), now in its Eighth Edition.

Robin and Michael are a wife-and-husband duo. Their most notable joint research created the Bade-Parkin Index of central bank independence and spawned a vast amount of research on that topic. They don't claim credit for the independence of the new European Central Bank, but its constitution and the movement toward greater independence of central banks around the world were aided by their pioneering work. Their joint textbooks include *Macroeconomics* (Prentice-Hall), *Modern Macroeconomics* (Pearson Education Canada), and *Economics: Canada in the Global Environment*, the Canadian adaptation of Parkin, *Economics* (Addison-Wesley). They are dedicated to the challenge of explaining economics ever more clearly to an ever-growing body of students.

Music, the theater, art, walking on the beach, and five fast-growing grandchildren provide their relaxation and fun.

Preface



Students know that no matter what major or career they choose, they will encounter economics at many points throughout their lives. They will make economic decisions and be influenced by economic forces. They want to understand the principles of economics that can guide their decisions and help them understand the economic forces they encounter.

Foundations of Economics is inspired by the special place that economics occupies in every student's education and is our attempt to meet the challenges that all students face.

As we publish the Fourth Edition of *Foundations*, we are gratified by the tremendous response of the economics community to our approach. Clearly, many of you agree with our view that to achieve its goals, the principles course must:

- Focus on core concepts;
- Steer a path between an overload of detail that swamps the student and a minimalist approach that leaves the student dangling with too much unsaid;
- Encourage learning by doing.

We have encountered this view from our own students, and we have heard it echoed by hundreds of colleagues across the United States and throughout the world. *Foundations of Economics* is our best effort to take these challenges seriously and to help students see economics in the clearest possible light.

The *Foundations* icon with its four blocks (on the cover and through the book) symbolizes our four paths to that clarity: (1) continuous practice and immediate reinforcement of core concepts; (2) seamless integration of print and online resources for different learning styles; (3) diagrams that step students through the action and that use color logically and consistently; and (4) real-world applications that bring theory to life.

LOWERING THE BARRIERS TO ENTRY

Most of us want to teach a serious, analytical course that explains the core principles of our subject and helps students apply these principles in their lives and jobs. We are not content to teach “dumbed-down” economics. But we know that most students drown rather than learn to swim when thrown into the deep end of the pool. In this book and its MyEconLab and Study Guide, we make painstaking efforts to lower the barriers to learning and to reach out to the beginning student.

We focus on core concepts; provide a variety of learning tools to match the diversity of learning styles; use diagrams in conjunction with captions that tell a complete story; and illustrate theory with examples and issues that students encounter in their lives:

■ Focus on Core Concepts

Each chapter of *Foundations* concentrates on a manageable number of main ideas (most commonly three or four) and reinforces each idea several times throughout the chapter. This patient, confidence-building approach guides students through unfamiliar terrain and helps them to focus their efforts on the most important tools and concepts of our discipline.

■ Many Learning Tools for Many Learning Styles

Foundations' integrated print and electronic package builds on the basic fact that students have a variety of learning styles. In MyEconLab students have a powerful tool at their fingertips—they can complete all Checkpoint exercises and end-of-chapter exercises online, work interactive graphs, assess their skills by taking Practice Tests, receive a personalized Study Plan, and step through Guided Solutions.

■ Diagrams That Tell the Whole Story

We developed the style of our diagrams with extensive feedback from faculty focus group participants and student reviewers. All figures make consistent use of color to show the direction of shifts and contain detailed, numbered captions designed to direct students' attention step by step through the action. Because beginning students of economics are often apprehensive about working with graphs, we have made a special effort to present material in as many as three ways—with graphs, words, and tables—in the same figure. And in an innovation that seems necessary but is to our knowledge unmatched, nearly all of the information supporting a figure appears on the same page as the figure itself. No more flipping pages back and forth!

■ Real-World Connections That Bring Theory to Life

Students learn best when they can see the purpose of what they are studying, apply it to illuminate the world around them, and use it in their lives. Three features of this new edition connect economic principles to the real world and show students how to use economics.

First, our *Eye On* boxes offer fresh new examples to help students see that economics is everywhere. Current and recent events appear in *Eye on the U.S. Economy* boxes, and we place current U.S. economic events in global and historical perspectives in our *Eye on the Global Economy* and *Eye on the Past* boxes.

Second, we are continuing to provide *Economics in the News* updated in MyEconLab most days during the school year. We have reinforced this feature with a news-based problem and exercise in each Chapter Checkpoint. We have also provided on-line versions of these and other news-based questions in MyEconLab. It is now easier for you to assess your students' ability to apply their knowledge of economics to the real world.

Third, we have created a new series of *Eye on Your Life* boxes to show students how they can use economics in their personal day-to-day decisions or to illuminate their own economic lives.

PRACTICE MAKES PERFECT

Everyone agrees that the only way to learn economics is to do it! Reading and remembering don't work. Active involvement, working problems, and repeated self-testing are the ingredients for success in this subject. We have structured this text and its accompanying electronic and print tools to encourage learning by doing. The central device that accomplishes this goal is a tightly knit learning system based on our innovative *Checklist-Checkpoint* structure.

■ Checklists

Each chapter opens with a *Chapter Checklist*—a list of (usually) three or four tasks the student will be able to perform after completing the chapter. Each Checklist item corresponds to a section of the chapter that engages the student with a conversational writing style, well-chosen examples, and carefully designed illustrations.

■ Checkpoints

The best time to review material is when it's fresh in students' minds. That's where Checkpoints come in. A full-page *Checkpoint*—containing a Practice Problem with solution and a parallel Exercise—immediately follows each chapter section. The Checkpoints serve as stopping points and encourage students to review the concept and to practice using it before moving on to new ideas. Diagrams and tables bring added clarity to the Checkpoint problems and solutions. All of the Checkpoint problems are available for self-assessment in the MyEconLab Study Plan. All of the Checkpoint exercises are available for self-assessment in Sample Test A in MyEconLab.

■ Chapter Summary and Chapter Checkpoints

At the end of each chapter, a *Chapter Summary* lists the chapter's key points and key terms. The summary is followed by a *Chapter Checkpoint*, which contains a further set of study questions divided into three groups: problems, exercises, and critical thinking and Web activities. All of the problems are available for self-assessment in the MyEconLab Study Plan, and all of the exercises are available to instructors in the MyEconLab assessment manager.

■ News-Based Problems and Exercises in the Chapter Checkpoints

New to the Fourth Edition *Chapter Checkpoints* are news problems and news exercises. Each news problem and news exercise excerpts a timely news article that is relevant to the material covered in the chapter. Students can complete the news problem within the MyEconLab Study Plan. Instructors can assign the news exercise for assessment. Within the MyEconLab assessment manager, instructors have access to additional questions based on news extracts and the *Economics in the News* archive.

WHAT'S NEW IN THE FOURTH EDITION

The evolving U.S. and global economies continue to provide a rich display of economics in action, through which students can be motivated to discover the economic way of thinking. The ongoing expansion of international trade and outsourcing, the continued spectacular expansion of China and India, enhanced concern about climate change, relentless pressure on the federal budget from the demands of an aging population and increased defense and homeland security expenditures, a plunging dollar, and an ongoing U.S. international deficit and ever growing national and international debt are just a few of these interest-arousing events. All of them are featured at the appropriate points in our new edition. But the most significant changes are in coverage, organization, and structure, which we explain here.

■ Major Content Changes in Introductory Chapters

Chapter 1 (Getting Started) and Chapter 2 (The U.S. and Global Economies) provide a strong and clear statement of the economic problem, explanation of the economic way of thinking, and description of the main features of the U.S. and global economies. These chapters are hard to improve upon but have been carefully updated.

Chapter 3 (The Economic Problem) has been given greater focus on the production possibilities frontier as a tool for understanding scarcity, tradeoffs, production efficiency, opportunity cost, and the gains from trade. The explanation of allocative efficiency no longer appears in this chapter. It has been moved to Chapter 6.

Chapter 4 (Demand and Supply) is an extremely solid chapter that has been marginally improved with the addition of a set of new figures that illustrate and summarize all the possible changes (and combinations of changes) in both demand and supply. A revised *Eye On* box illustrates the effects of an increase in supply on price and quantity using the market for large-format flat panel TVs.

■ Major Content Changes in Micro Chapters

Chapter 6 (Efficiency and Fairness of Markets) now includes the explanation and illustration of allocative efficiency that previously appeared in Chapter 3. This new placement makes for a more effective continuity in the discussion of the ability of the market and other mechanisms to achieve allocative efficiency. The explanation of the alternative views on fairness have been simplified and abbreviated.

Chapter 9 (Global Markets in Action) is entirely new. It explains the sources and distribution of the gains and losses from international trade and government intervention in global markets through tariffs, quotas, and other trade policy actions. The chapter builds on the welfare analysis of Chapter 6. By covering this topic early in the course, it becomes possible to discuss issues of major concern to students today.

Chapter 14 (Perfect Competition) has an expanded and clearer explanation of temporary shutdown and the shutdown point. It also has an expanded description and explanation of the three possible short-run situations: normal profit, economic profit, and economic loss.

Chapter 15 (Monopoly) has a new account of the regulation of natural monopoly, and Chapter 17 (Oligopoly) has a new account of antitrust law. All of the new material in these two chapters was previously in a separate chapter.

Chapter 19 (Uncertainty and Information) is new to this edition. The chapter explains the idea of diminishing marginal utility of wealth and risk aversion, explains how expected utility maximization works and incorporates the dislike of risk, and explains how insurance markets enable risk to be traded and bring gains from trade. The information section explains asymmetric information, the lemon problem and its possible market solutions, and markets for loans. An *Eye On* box looks at the sub-prime mortgage crisis, the collapse of related credit markets, and the spike in the price of credit risk in the summer of 2007.

■ Major Content Changes in Macro Chapters

Chapter 21 (GDP and the Standard of Living) simplifies the explanation of the measurement of real GDP in the body of the chapter but provides an expanded and improved discussion of the chained-dollar measure in an appendix. The explanation of the GDP deflator is now moved to Chapter 22.

Chapter 22 (The CPI and the Cost of Living) is moved one chapter earlier. The CPI continues to be its main focus, but the chapter also now explains the other two main methods of measuring the price level: the GDP deflator and the Personal Consumption Expenditure deflator, PCE deflator.

Chapter 26 (Investment, Saving, and the Real Interest Rate) has been moved to the end of the part on the real economy to better transition to the next part on the money economy. The chapter has been thoroughly recast in terms of the market for loanable funds in a manner that better sets the scene for the discussion of the role of this market in the transmission of monetary policy in Chapter 33.

Chapter 27 (The Monetary System) is a combination of two chapters in the previous edition, “Money and the Monetary System” (26) and “Money Creation and Control” (27). The chapter contains all the elements of the old chapters but with some compression, mainly in the account of money creation.

Chapter 31 (The Short-Run Tradeoff) has been moved to join Chapter 29 (Aggregate Supply and Aggregate Demand) and Chapter 30 (Aggregate Expenditure) in the part on macroeconomic fluctuations. This group of chapters completes the foundation on which the discussion of macroeconomic policy builds in the final part.

The macroeconomic policy chapters have been reorganized and substantially revised. Separate chapters on fiscal policy and monetary policy replace the third edition’s separate chapters on policy effects and policy debates.

Chapter 32 (Fiscal Policy) contains all the material (updated) from the fiscal policy section of the third edition Chapter 31 (Fiscal and Monetary Policy Effects). It also contains a new section on the supply-side effects of fiscal policy as well as an appraisal of the limitations of fiscal stabilization policy.

Chapter 33 (Monetary Policy) is essentially a new chapter. Material on the ripple effects of a change in the federal funds rate from the third edition Chapter 31 can be found but in the context of a more thorough explanation and illustration of these effects. The chapter provides the most comprehensive account available of the Fed's policy goals, decision making process, and policy effects. The chapter also reviews alternative approaches to monetary policy such as money stock targeting and a gold standard and explains why they are currently out of favor.

The third edition's international trade chapter (Chapter 34) has been replaced by the new Chapter 9 described in the section on micro content changes. But the third edition International Trade chapter is retained in the macro split version of the text.

Chapter 34 (International Finance) uses the dollar-euro exchange rate as the main vehicle for explaining the foreign exchange market. The rising dollar of the early 2000s is contrasted with the plunging dollar of the period since 2002. The discussion of the Chinese yuan and the effects of managing the yuan at too low a level on China's foreign exchange reserves is updated.

ORGANIZATION

Our text focuses on core topics with maximum flexibility. We cover all the standard topics of the principles of economics curriculum. And we do so in the order that is increasingly finding favor among principles teachers. We believe that a powerful case can be made for teaching the subject in the order in which we present it here.

We introduce and explain the core ideas about efficiency and fairness early and then cover major policy issues in a series of chapters that use only the tools of demand and supply and the ideas of marginal benefit, marginal cost, and consumer and producer surplus. Topics such as consumer choice and cost curves, which are more technical, are covered later.

Extensive reviewing suggests that most teachers agree with us. But we recognize that there is a range of opinion about sequencing, and we have structured our text so that it works equally well if other sequences are preferred.

Deciding the order in which to teach the components of microeconomics involves a tradeoff between building all the foundations and getting to policy issues early in the course. There is little disagreement that the place to begin is with production possibilities and demand and supply. We provide a carefully paced and thoroughly modern treatment of these topics.

Following the order of this text, the course quickly gets to interesting policy issues. Two further chapters lay the foundation: elasticity in Chapter 5 and a discussion of the efficiency and fairness of markets in Chapter 6. Introducing students to both efficiency and fairness (equity) issues early in the course enables a more complete and engaging discussion of topics such as price floors, price ceilings, pro-

duction quotas, taxes, the benefits and costs of globalization of trade, externalities, public goods, and common resources, all of which we cover in Chapters 7 through 11. Teaching this material early in the course maintains student interest, directly serves the role of the principles course as a foundation for citizenship, and provides an immediate payoff from learning the demand-supply and related tools. Only when these policy issues have been covered do we dig more deeply behind the consumption and production decisions.

Teachers who prefer to cover policy issues later in the course can skip Chapters 6 through 11 and move straight from elasticity to consumer choice (Chapter 12) and then on to the economics of the firm. The policy-related chapters can be covered at any chosen point later in the course.

The flexibility chart on p. xlv provides detailed information that enables you to rearrange the micro chapters in a variety of ways. The alternative course chart on p. xlvi offers some suggestions of other possible paths through the micro chapters.

In the coverage of macroeconomics, the organizing device is the idea that at full employment, the real economy is influenced by only real variables and the price level is proportional to the quantity of money. This idea has been incredibly productive in advancing our understanding of both the full-employment economy and the business cycle. By having a firm understanding of the forces that determine potential GDP, the student better appreciates the more complex interactions of real and monetary factors that bring economic fluctuations. Further, the student sees that the long-term trends in our economy play a larger role in determining our standard of living and cost of living than do the fluctuations around those trends.

The macro course divides naturally into four parts. The first explains the real economy at full employment (potential GDP, economic growth, investment, saving, the real interest rate). The second part explains the money economy (determining the nominal interest rate in the short run and the price level and inflation rate in the long run). The third part explains economic fluctuations (interactions between the real and monetary sectors) using the ideas of aggregate supply and aggregate demand, and optionally the aggregate expenditure model and the Phillips curve. The fourth part explains how fiscal policy and monetary policy influence macroeconomic performance, both in the long term on the supply side and in the short term on the demand side.

Extensive reviewing suggests that most teachers agree with our view on how to organize the course. But some teachers want to follow the measurement material with the aggregate expenditure (fixed price level) model and aggregate demand and aggregate supply. Money and economic fluctuations come next, and the influences on potential GDP and economic growth either come last or are omitted. Our text supports this sequence. After Chapter 23, it is possible to jump to either Chapter 29 (*AS-AD* and the Business Cycle), Chapter 30 (Aggregate Expenditure), or Chapter 31 (The Short-Run Policy Tradeoff). The money chapters (Chapters 27 and 28) can be covered next, followed by macroeconomic policy (Chapters 32 and 33).

The international finance chapter that explains the balance of payments and the exchange rate can be covered at any time after Chapter 4 (Demand and Supply) and Chapter 21 (GDP and the Standard of Living).

The flexibility chart on p. xlv provides detailed information that enables you to rearrange the macro chapters in a variety of ways. The alternative course chart on p. xlvi offers some suggestions of other possible paths through the macro chapters.

A RICH ARRAY OF SUPPORT MATERIALS FOR THE STUDENT

Foundations of Economics is accompanied by the most comprehensive set of learning tools ever assembled. All the components of our package are organized by Checkpoint topic so that the student may move easily among the textbook, MyEconLab, and the Study Guide, while mastering a single core concept.

The variety of tools that we provide enables students to select the path through the material that best suits their individual learning styles. The package is technology-enabled, not technology-dependent. Active learners will make extensive use of the MyEconLab personalized Study Plan and tutorial instruction and the animated graphics of eText, our online version of the textbook. Reflective learners may follow a print-only path if they prefer.

■ MyEconLab for Students

MyEconLab is an online tutorial and assessment resource. MyEconLab puts students in control of their own learning through a suite of testing, practice, and study tools tied to the online, interactive version of the textbook and other media resources.

Within MyEconLab's structured environment, students practice what they have learned, test their understanding, and pursue a personal Study Plan generated from their performance on Sample Tests and tests set by their instructors.

At the core of MyEconLab are the following features:

- Sample Tests, two per chapter
- Personalized Study Plan
- Tutorial Instruction
- Graphing Tool

Sample Tests Two Sample Tests for each chapter are preloaded in MyEconLab, enabling students to practice what they have learned, test their understanding, and identify areas in which they need to do further work. Students can study on their own or they can complete assignments created by their instructor. Questions in Sample Test A include the Checkpoint exercises. The questions in Sample Test B include the Checkpoint problems from the Study Plan and questions from the Study Guide.

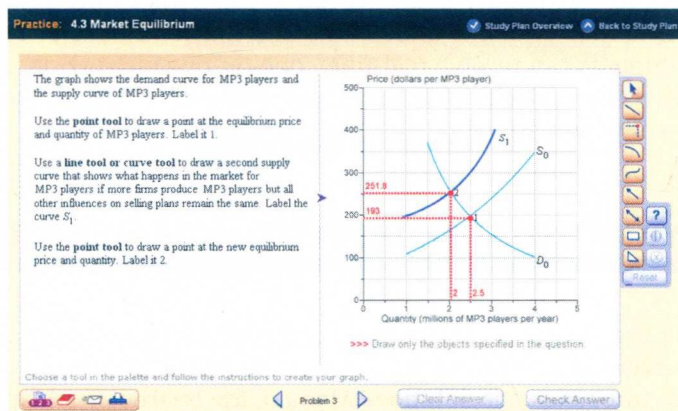
Personalized Study Plan Based on a student's performance on tests, a personalized Study Plan is generated that shows where further study is needed. The

Book Contents for All Topics	Correct	Worked	Available Questions	Time Spent
Ch. 1: Getting Started	3	1	22	30s
Ch. 2: The U.S. and Global Economies			39	
Ch. 3: The Economic Problem			25	1m 57s
Ch. 4: Demand and Supply	4	4	5	1m 11s
4.1 Demand	3	4	5	1m 11s
4.2 Supply			6	
4.3 Market Equilibrium	1	2	14	56s
Ch. 5: Elasticities of Demand and Supply			29	
Ch. 6: Efficiency and Fairness of Markets	2	2	47	1m 29s
Ch. 7: Government Influences on Markets	9	1	41	1m 12s

Study Plan consists of all of the Checkpoint Practice Problems and Chapter Checkpoint Problems. Each problem includes detailed feedback and other tutorial resources. Many problems have guided solutions.

Tutorial Instruction Launched from the exercises in the Study Plan, tutorial instruction is provided in the form of step-by-step solutions and media-based explanations.

Graphing Tool A graphing tool integrated into the Sample Tests and Study Plan exercises enables students to make and manipulate graphs so that they better understand how concepts, numbers, and graphs connect. Questions that use the graphing tool (like all the other questions) are automatically graded.



Additional MyEconLab Resources

1. eText—electronic, searchable version of the textbook in Flash format
2. Animated figures—every figure from the textbook in step-by-step animations with audio explanations of the action
3. Glossary—a searchable version of the textbook glossary with additional examples and links to related terms
4. Glossary Flashcards—every key term as a flashcard, allowing students to quiz themselves on vocabulary from one or more chapters at a time
5. Ask the Authors—email economic-related questions to the author
6. *Economics in the News*—daily updates during the school year of news items with links to sources for further reading and discussion questions
7. Links for Web Activities—all the links needed for the Web Activities in the textbook
8. eThemes of the Times—archived articles from *The New York Times*, correlated to each textbook chapter and paired with Critical Thinking questions
9. Research Navigator (CourseCompass version only)—extensive help on the research process and four exclusive databases of credible and reliable source material including *The New York Times*, the *Financial Times*, and peer-reviewed journals
10. Economics Videos featuring ABC News—these 10 videos feature ABC news footage and commentary by economists

■ Study Guide

Mark Rush of the University of Florida has prepared the Study Guide, which is available in both print and electronic formats. It provides an expanded Chapter Checklist that enables the student to break the learning tasks down into smaller, bite-sized pieces; self-test materials; and additional practice problems. The Study Guide has been carefully coordinated with the text, MyEconLab, and the Test Banks.

■ Pearson Tutor Services

A subscription to MyEconLab includes complimentary access of up to six hours of tutoring service provided by Pearson Tutor Services, powered by SMARTHINKING Inc. Highly qualified tutors use whiteboard technology and feedback tools to help students understand and master the major concepts of Economics. Students can receive real-time, one-on-one instruction, submit questions for a response within 24 hours, pre-schedule a tutoring session, and view archives of past sessions.

A QUALITY-ASSURED SUPPORT SYSTEM FOR THE INSTRUCTOR

Our instructor resource tools are the most comprehensive, carefully developed, and accurate materials ever made available. MyEconLab, the Study Guide, the PowerPoint lecture notes, the Solutions Manual, the Instructor's Manual, and the Test Banks all key off the Checkpoints in the textbook. The entire package has a tight integrity. We are the authors of the MyEconLab content and PowerPoint resources. We have paid close attention to the design, structure, and organization of MyEconLab. And we have helped in the reviewing and revising of the Study Guide, Solutions Manual, Instructor's Manual, and Test Banks to ensure that every element of the package achieves the consistency that students and teachers need.

For your convenience, all instructor resources are available online via our centralized supplements Web site, the Instructor Resource Center (www.pearsonhighered.com/irc). For access or more information, contact your local Pearson Addison-Wesley representative or request access online at the Instructor Resource Center.

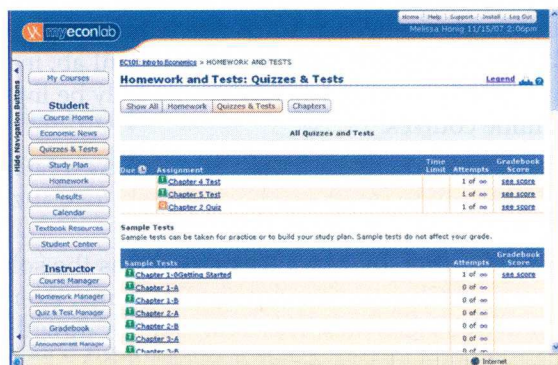
■ MyEconLab Instructor Resources

MyEconLab is an online assessment and tutorial resource. Instructors choose how much, or how little time to spend setting up and using MyEconLab.

MyEconLab provides flexible tools that allow instructors to easily and effectively customize online course materials to suit their needs. Instructors can create and assign tests, quizzes, or graded homework assignments. MyEconLab saves time by automatically grading all questions and tracking results—including student practice—in an online gradebook. MyEconLab can even grade assignments that require students to draw a graph.

Instructors can assign Tests, Quizzes, and Homework in MyEconLab using six resources:

- Pre-loaded Sample Test questions
- Study Plan questions
- Test Bank questions
- Self-authored questions using Econ Exercise Builder
- Additional problems similar to the end-of-chapter problems
- News analysis questions



Tests use multiple-choice, graph drawing, and free response questions, many of which are generated algorithmically so that they present differently each time they are worked.

MyEconLab grades every question, even those with graphs, and, when working a Study Plan, students get immediate feedback with links to additional learning tools.

CourseCompass Version of MyEconLab MyEconLab is also available in CourseCompass. This version provides additional customization and communication tools. Instructors who teach distance-learning courses or very large lecture sections find the CourseCompass format useful because they can upload course documents and assignments, customize the order of chapters, and use communication features such as Digital Dropbox and Discussion Board.

After registering for MyEconLab, instructors have access to downloadable supplements such as the Solutions Manual, Instructor's Manual, PowerPoint resources, and Test Banks.

For more information about MyEconLab, or to request an Instructor Access Code, visit www.myeconlab.com.

■ Economics in the News

Daily news updates during the school year are available in MyEconLab. Most days the authors post two links to relevant news articles from the day's headlines. One link directs students to a microeconomics article, and the other directs students to a macroeconomics article. Each article is accompanied by additional links, discussion questions and a reference to relevant chapters in the textbook. A full archive of *Economics in the News* articles and questions is also available.

■ Assignable News Analysis Questions

News analysis questions are available for instructor assignment in MyEconLab. Each question includes a brief extract of the article referenced in the Chapter Checkpoint exercise. Additional news analysis questions draw from articles in the *Economics in the News* archive.

■ Economics Videos Featuring ABC News

You see economics in the news and now your students can too. Economics Videos Featuring ABC news enliven your course with short news clips featuring real-world issues. These 10 videos, available in MyEconLab, feature news footage and commentary by economists. They can easily be integrated into traditional, hybrid, or online courses.

■ Solutions Manual

The Solutions Manual, written by Mark Rush, contains the solutions to all the Checkpoint Exercises and Chapter Checkpoint Problems, Exercises, and Critical Thinking and Web Activities. It is available for download in Word and PDF formats.

■ Instructor's Manual

The Instructor's Manual, edited by Mark Rush, contains chapter outlines and road maps, additional exercises with solutions, and a virtual encyclopedia of suggestions on how to enrich class presentation and use class time efficiently. The fourth edition is particularly enhanced with a Chapter Lecture which incorporates lively Lecture Launchers to enrich your presentation, Landmines that point out potential stumbling blocks, and additional teaching tips, creating one comprehensive lecture resource. The micro portion has been written by Margaret Anne Shannon of Gordon College. The macro portion has been written by Richard Gosselin of Houston Community College. It is available for download in Word and PDF formats.

■ Three Test Banks

Three separate Test Banks are available for *Foundations of Economics*, with more than 12,000 multiple-choice, numerical, fill-in-the-blank, short-answer, essay, and integrative questions that build on material from more than one Checkpoint or more than one chapter. This edition features new integrative and graphing questions in each chapter. Mark Rush reviewed and edited questions from four dedicated principles instructors to form one of the most comprehensive testing systems on the market. Our questions authors on the micro side are Constantin Ogloblin (Georgia Southern University) and Thomas Meyer (Rochester Community and Technical College). Our questions authors on the macro side are Fred Hipple (Eastern Tennessee State University) and Richard Stratton (University of Akron). These are available for download in Word, PDF, and TestGen formats.

■ Computerized Test Banks

All three Test Banks are available in Test Generator Software (TestGen with QuizMaster). TestGen's graphical interface enables instructors to view, edit, and add questions; transfer questions to tests; and print different forms of tests. Tests can be formatted by varying fonts and styles, margins, and headers and footers, as in any word-processing document. Search and sort features let the instructor quickly locate questions and arrange them in a preferred order. QuizMaster, working with your school's computer network, automatically grades the exams, stores the results on disk, and allows the instructor to view and print a variety of reports.

■ PowerPoint Resources

We have created the PowerPoint resources based on our 15 years of experience using this tool in our own classrooms. Four types of PowerPoint presentations are available:

- Lecture notes
- Checkpoint Practice Problems and clicker-enabled slides
- Textbook animated figures
- *Eye On* boxes

The Lecture notes include full-color animated versions of all of the text's figures as well as speaking notes and teaching tips and suggestions from the Instructor's Manual.

Checkpoint Practice Problem slides include all Checkpoint Practice Problems and their in-text solutions. The MyEconLab multiple-choice problems that correspond to Checkpoint Practice Problems are available on Clicker (Personal Response) enabled slides for use in the classroom.

The Textbook animated figures are large-scale versions of those in the textbook. These figures can be incorporated into your personal PowerPoint slides or used as they are.

The *Eye On* boxes presentations contain a summary of each *Eye On* and include animated figures.

■ Overhead Transparencies

Full-color overhead transparencies of *all* figures and tables from the text will improve the clarity of your lectures. They are available to qualified adopters of the text (contact your Addison-Wesley sales representative). They are also available as downloadable PDF files.

■ Instructor's Resource CD-Rom

This CD-ROM contains the Test Banks, Instructor's Manual, and Solutions Manual in Word and PDF formats. It also contains the Computerized Test Banks (with a TestGen program installer) and Powerpoint Resources. It is compatible with both Windows and Macintosh operating systems.