

# MICROECONOMICS



DAVID N. HYMAN

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*with 295 illustrations*

1989

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# Preface

Today more than ever, the study of economics is a vital component of any student's education. Knowledge of economic principles is essential for success in dealing with day-to-day affairs in the modern world. The purpose of this text is to explain how the U.S. and world economies function and how their daily operation affects the reader. As newly elected President Bush assumes the leadership of the United States, I want to help students learn to fit together all the pieces of the puzzle we know as the economy.

In the 1990s we no longer can afford to neglect the way our own lives are affected by changes in the world economy. In fact, the rapid evolution of a global interdependence among highly developed and less developed economies alike demands a fundamental change in the manner in which we teach this course. To reflect this and to demonstrate the ever-increasing importance of international trade in the U.S. economy, I have attempted to clearly integrate international issues throughout the text.

My goal in writing this book is to communicate the relevance of economics to everyday life by blending examples and applications with economic theory in each chapter. I have sought to show students the power, usefulness, and excitement of economics as a discipline. The text comprises a comprehensive learning resource that I hope students will enjoy reading and using.

## **Style and Level**

This book is intended for use in introductory courses in economics at colleges and universities. Students need not have had any previous training in economics. I have written in a lively style and on a level that is easily understandable to undergraduates.

## **Appendix on Graphs**

Graphs are used extensively throughout the book, and students who need to sharpen their skills in using graphs can benefit from studying the Appendix on Chapter 1. This appendix develops the basic tools for

constructing graphs and defines important analytical concepts that students will find helpful even if they are already accustomed to working with graphs.

## **Flexible Teaching and Learning Resource**

This book is designed to serve as a flexible teaching and learning resource that can accommodate a wide number of approaches to teaching economics. The prologue and first seven chapters comprise Parts I and II of the book's six parts and are fundamental to understanding microeconomic principles. Parts III through V cover microeconomic theory and issues, and Part VI analyzes international economic issues.

## **Balance of Applications**

Throughout the book I have developed a careful balance of business, policy, social, and international applications. The text is interspersed with examples, information, and applications that help bring economics to life for students.

## **Teaching and Learning Economics from This Book: What's Different?**

### *1. More Extensive Development of Marginal Analysis and Supply and Demand Analysis*

Too often introductory economics textbooks gloss over basic concepts without showing students how they are used. I believe it is important to give students a thorough grounding in the use of such concepts as opportunity cost, the production possibilities curve, and supply and demand analysis. For this reason I have devoted seven chapters to developing and using these basic tools. Chapter 1 details the concepts of scarcity and opportunity cost. Chapter 2 introduces students to model building and the concept of rational behavior by showing how marginal analysis is used to understand and forecast behavior. In Chapter 3 the concept of opportunity cost is further applied in explaining production possibilities and personal budgeting.

In Chapter 4 basic supply and demand analysis is

painstakingly developed. Chapters 5 and 6 give students ample opportunity to see how supply and demand analysis can be applied. The applications not only allow students to gain knowledge through practice but also analyze markets for credit, labor, and foreign exchange. Chapter 7 is devoted entirely to the concept of elasticity and its uses and contains numerous practical applications.

In the introductory chapters you will find applications dealing with economic policies designed to reduce drunken driving, management techniques in Japan, the operation of the stock market, marketing of new products, labor market adjustment, rent controls, and entrepreneurship, to mention just a few.

## 2. *Provides Extensions and Applications that Use Microeconomic Theory*

Basic microeconomic theory is used in the book to help students understand business, social, and policy issues. The themes developed in the early chapters are continued. For example, Chapter 8 shows how marginal analysis is used to analyze consumer choices and presents a wide range of examples from selecting items on a menu to deciding whether to have children. You will find a modern approach to the theory of the firm in Chapter 9 where the firm's functions and degree of vertical integration are explained using many examples and where the idea of profit maximization is applied to the timely issue of corporate takeovers. The basic theories of production, cost, and supply are developed in Chapters 10 through 12 with applications on how advances in technology improve productivity and how productivity and cost are related. Students will see how changes in input prices and technology can affect profitability, supply, and price in competitive industries and how limits to entry in the New York City taxi industry have created a valuable asset known as the taxi medallion that currently sells for over \$100,000. They also will see how taxes, license fees, and other government-imposed restrictions affect supply and prices.

Chapters 13 through 15 discuss imperfectly competitive product markets, and the theory is enlivened with applications showing how a syndicate acts to control the price of diamonds and how the theory can be extended to reach some surprising conclusions regarding the behavior of monopoly firms. Chapters 16 through 19 are policy-oriented chapters that develop the concepts of market failure and externalities and discuss social regulation, environmental

policy, the economics of special-interest groups, the impact of subsidies and tax breaks to agriculture and industry, and the basics of government expenditure and taxation. These chapters draw on modern developments in the theories of externalities, public goods, and public choice.

Part V of the book examines input markets with applications to the issues of wage differentials, comparable worth, signaling, screening, personnel management, and the principal-agent problem. In discussing imperfectly competitive input markets, I present a balanced analysis of labor unions and enliven the theory of monopsony with applications to professional sports. Marginal analysis is used to explain investment decisions, and the concept of present value is carefully developed in a chapter on capital. Appropriately, I end this part of the text with a discussion of income distribution issues and programs of assistance to the poor in the United States.

In Part VI, the chapters on international trade carefully develop the concepts of absolute and comparative advantage and show how exchange rates are determined. The book closes appropriately with a discussion of socialism vs. capitalism and a view of the rapidly changing Soviet economy under *perestroika*.

## **Distinctive Features of the Book and How They Assist Students in Learning**

Above all, this text and its supplements have been designed to develop complex ideas in a way students can easily understand. An outstanding feature of this student-oriented approach is its user-friendly writing style that helps students see readily how economic problems and issues affect them. I have long maintained that economics is a favorite subject of students and that with the right approach they will enjoy learning and applying economic concepts. A lively prologue points out the benefits of studying economics from the student's point of view and provides information on careers in economics. The prologue also offers students hints about how to succeed in the course through use of the book's pedagogy.

To aid students in learning, I have incorporated the following features in each chapter:

1. **Concept Preview:** The learning objectives of each chapter are listed to aid students in organizing their study sessions.
2. **Concept Checks:** A series of three review questions at the end of each major section is designed

to help students test their comprehension and mastery of the main points in that section.

3. **Key Terms and Concepts:** Key terms and concepts are boldfaced and carefully defined as they are introduced. Each definition is highlighted in the margin of the book at the place where it is introduced. This feature helps students learn and helps them review important concepts when studying for examinations. All key terms appear in an alphabetized glossary at the end of the book.
4. **Principles in Practice:** Each chapter contains one or more real-world applications or perspectives using economic principles that show students how the topics they are studying are relevant to business, financial, personal, social, policy, or international issues. These features bring economics to life by providing up-to-date information and insights on a wide array of topics.
5. **Economic Thinkers:** From Adam Smith to Karl Marx, economists over the years have shaped our thinking and our policies. In selected chapters you will find short sketches that highlight the ideas, times, and lives of important economists and other key figures in economic history.
6. **Career Profiles:** Each of the book's six parts opens with a profile of an American who earned a college degree in economics. Students can see how these successful people benefited from studying economics and can gain insights from the experiences of these productive individuals. The subjects of the profiles include people who have continued to pursue economics in their careers, and also people who have chosen to enter other fields. The Career Profiles offer students clear evidence of the many reasons why economics is a valuable course of study.
7. **Boxed Graphs and Tables:** Each graph and related table appear in a self-contained boxed exhibit. Having all the relevant material within a single box aids learning and makes it easier for students to review material while studying for examinations. Each graph has a carefully written legend that appears within the box.
8. **Problems and Applications:** These end-of-chapter questions are more challenging than those appearing in the Concept Checks. Students will find working through the problems a useful

way to study and review and to practice and apply what was learned in the chapter.

9. **Suggested Readings:** This feature presents a number of supplementary sources that students can use to extend their knowledge or write term papers. The listings are annotated to show students what they can gain by reading them.

### Supplementary Resources

The book has a number of ancillary materials that have been carefully designed to assist the instructor in teaching the material and the student in learning.

1. **Instructor's Manual:** I have written a comprehensive manual to help instructors organize their lectures. The manual contains conversion notes, instructional objectives, a list of key terms, a point-by-point discussion of chapter contents that includes hints for clarifying difficult material as well as indications of where transparencies will be most helpful, and answers to text problems. The manual includes 160 transparencies.
2. **Study Guide:** Each chapter of the guide contains chapter objectives, a fill-in chapter summary, vocabulary exercises using the key words in the chapter, and a series of topic-centered modules that include activities designed to reinforce key concepts. Among these activities are additional work with graphs, fill-in charts and tables, completion exercises, and other interactive tasks. The modules are followed by a 20-to-25-item self-test for understanding, consisting of multiple-choice questions plus one or two short essay questions. To encourage understanding, answers are provided for all questions.
3. **Test Bank:** The test bank contains over 4,000 questions, with a significant percentage of items requiring graphical analysis. One hundred items are essay questions; the balance are four- and five-item multiple-choice questions. The test bank also contains a math pretest that allows instructors to assess their students' math skills before getting into the course and provides students with feedback on their readiness to handle the math in the course.
4. **Computerized Test Bank:** The EXAMgen test generation software includes all the questions in the test bank and prints out the graphs required for graphical analysis as the test itself is printed. Items may be edited, added, or deleted; test

items may be selected manually or by computer for varying question types, topics, and levels. Choices in multiple-choice questions may be scrambled and up to nine versions of a test produced.

5. **Transparency Acetates:** There are 200 acetates, including many two-color reproductions of key tables and graphs from the text, and additional overlays illustrating how curves change in response to changes in conditions.
6. **Software:** A set of menu-driven tutorials and simulations was developed by a team of experienced economics instructors who are also experts in the programming and educational use of computer software. This user-friendly software was created on the basis of an extensive review of the strengths and weaknesses of other currently available economics software packages. There are eight MicroVision and MacroVision tutorials. One presents key concepts in graphical analysis, and seven are linked to the text content. Each tutorial includes questions, an “Exploring Possibilities” feature, and a quiz.

### Extensive Development

An unprecedented number of research and development steps were taken to make this the most contemporary and pedagogically effective economics text you will ever use.

A detailed questionnaire was mailed to 4,000 principles of economics instructors to ask their preferences in terms of coverage, organization, pedagogy, and supplements. Additionally, the instructors were asked to comment on the utility and effectiveness of their current text and its supplements.

A panel of 20 reviewers critiqued the first draft. These comments helped identify consensus points and controversial areas that were discussed at a two-day focus group attended by six key reviewers. A second panel of reviewers, two of whom had critiqued the first draft, examined the revised draft.

To enhance the text’s student orientation, selected members of the reviewer panel taught from the manuscript for a semester. They and their students provided input on content and pedagogy.

Seven instructors selected from the panel of second-draft reviewers met for another two-day focus group, which covered comments on the first two drafts, results of the class testing, and preferences for supplements.

Three professional, technical experts critiqued the third draft for accuracy, writing style, organization, and clarity of presentation. To further ensure the material’s clarity and accuracy, the third draft also was reviewed by 11 instructors with different specialties in the field of economics. During each stage of production, the text was reviewed by experienced instructors as additional confirmation of technical accuracy.

Finally, each component of the supplements package was created to enhance the text and make teaching and learning more rewarding. The test bank, study guide, and software were thoroughly reviewed by qualified individuals.

### Acknowledgments

An undertaking of this magnitude requires the skills and efforts of many people. Special credit goes to Glenn Turner, Senior Vice President; Denise Clinton, Acquisitions Editor; Terry Eynon, Developmental Editor; Elisabeth Heitzeberg, Copy Editor; Jean Babrick, Supplements Developmental Editor; Patricia Tannian, Project Manager; and Kathy Lumpkin, Production Editor.

These publishing professionals and their colleagues put in many hours of effort to help the author produce a polished text. They also helped guide the project to completion by overseeing the many complicated steps necessary to convert a raw manuscript into a finely produced book. John Rokusek provided a practical and pleasing design for the book that facilitates its use.

## Reviewers

The reviewers of the manuscript and supplements provided numerous excellent suggestions. I am indebted to them for their many contributions and insights.

**Curt L. Anderson**

University of Minnesota at Duluth

**Lloyd Dwayne Barney**

Boise State University

**Philip F. Bartholomew**

University of Michigan at Dearborn

**Gil Becker**

Indiana University/Purdue University

**Charles R. Britton**

University of Arkansas

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St. Louis University

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Prairie State College

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The Citadel

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Arizona State University

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University of Missouri at Columbia

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Central State University

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Miami-Dade Community College

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Youngstown State University

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Edmonds Community College

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University of Texas at Arlington

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Mississippi State University

**John Vahaly**

University of Louisville

**Mark Vaughan**

Washington University

**Percy O. Vera**

Sinclair Community College

**William V. Weber**

Illinois State University

**James N. Wetzel**

Virginia Commonwealth University

**Arthur Wright**

University of Connecticut

**Darrel Young**

University of Texas at Austin



I regard these reviewers as partners in the development of this text. Their detailed reviews forced me to think carefully about basic issues in economics and guided me to produce a text that I believe is both technically sound and easy to read. I have learned a great deal from the comments of the reviewers listed above, and I thank them for the time and effort they put in.

My colleagues at North Carolina State University were always available to help me sound out my ideas and supply information on their areas of specialization. My students, who participated in a classroom test of the manuscript in the spring of 1988, offered

me encouragement and criticism, and I thank them heartily. Joan Livingood and Carolyn Smith provided expert secretarial assistance at various stages of the project, and I am indebted to them for their highly competent service.

Finally, I must thank my wife Linda for her support during the period I have worked on this project. She certainly deserves a medal for her patience with a writer who had little time to do anything other than write for a period of two and a half years.

*David N. Hyman*

**Introduction to Economics**

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# Prologue

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## Economics: What's in It for You?

Do you really understand what happened in the stock market crash of '87?

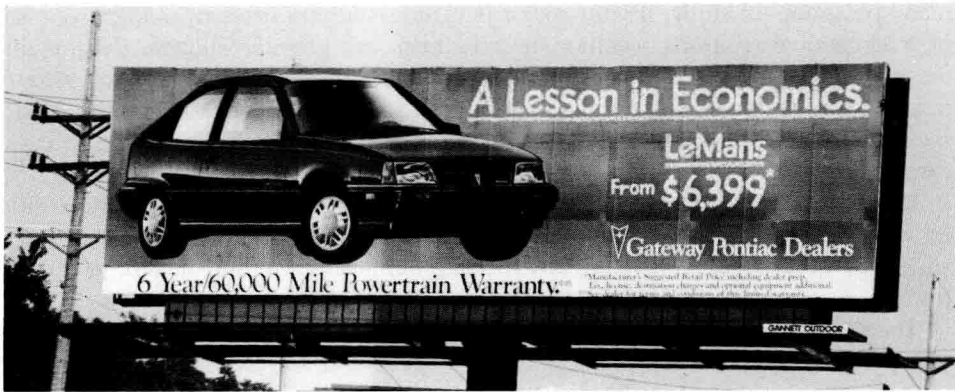
On “Black Monday”—October 19, 1987—Wall Street watched in frozen disbelief as the numbers on its monitors dipped, slid, then plummeted downward. As the sun rose in Europe, Japan, and Australia, their financial communities awakened to the same towering wave of panic selling that had stunned the United States the day before.

In the tense, uncertain days and weeks that followed, questions about what caused the crash by far outnumbered answers—and the answers varied markedly depending on who was asked. Coming in for large chunks of blame were the burgeoning U.S. federal budget and trade deficits, the unchecked fall of the American dollar against foreign currencies, and the relatively new and in some circles suspect phenomenon known as portfolio insurance.

What economists know, and what you as a student of economics have the opportunity to discover, is that there is never a single, clear-cut reason for an event like the stock market crash of '87. The study of economics can help you comprehend the myriad causes of such events and view them in perspective. As you will see, economics is influenced by developments in the diverse arenas of business, politics, sociology, science, nature, religion, and history. Economic trends make headline news almost daily; and whether or not you are aware of it, economics is a vital and pervasive part of your everyday life.

This is one reason why, even if you don't choose it as your major subject, a course in the principles of economics is an essential element of your undergraduate education. In fact, many educators would suggest that this course is among the two or three most important ones a college student will ever take. An understanding of the financial, social, and political context in which the economy operates will help you develop informed opinions on a wide range of business and public issues. You'll also discover numerous ways in which the U.S. economy is linked to the economies of other nations: Japan, the countries of Western Europe, and a host of Third World states in various stages of development. Not only our well-being but our very survival may depend on our relationships with these trading partners.

From a practical standpoint, your study of economics will help you sharpen your decision-making skills by showing you a logical way to evaluate alternative courses



Economics helps you make informed choices in your personal and business life.

of action. As you explore the concept of *opportunity cost*, you'll discover that every choice you make has both a benefit and a cost. For example, suppose you decide to get a part-time job so you can earn money to buy a car. You'll have the benefit of owning the car, but you'll pay a cost in terms of the study and leisure hours you now must devote to working so as to pay for and maintain the car. After weighing your choices in cost-benefit terms, you may decide you don't need a car now after all!

This course in economics also will enhance your analytical abilities in the important area of personal finance. You'll become familiar with the concepts of *rational behavior* and *marginal cost and benefit* as they affect your budgeting decisions. Economic analysis explains why even at bargain prices there's a limit to the quantity of an item you'll choose to buy, be it Taco Supremes or compact discs!

What's more, you'll learn the meanings of some terms you probably hear every day but may not fully comprehend. For example, what exactly is *monopoly*, and what are its costs and benefits? What are *agricultural price supports*? Do they always achieve their objectives? Who should bear the costs associated with *environmental pollution*? What are *in-kind assistance programs*, and do they help or hurt poor Americans?

You've seen all of these terms in newspaper headlines and on the nightly TV news, but you may not realize the ways in which you personally are affected by each of these economic issues. This course is your opportunity to find out. You'll gain a thorough understanding of the interplay of economic forces and of your role in our dynamic economy. Although you may not plan to major in economics, this course might cause you to become so intrigued with the subject that you change your mind!

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## Career Opportunities

If you should decide to major in economics, what career possibilities will be open to you?

Armed with a degree in economics, you can seek a career in literally dozens of fields. Economics majors are succeeding as entrepreneurs, diplomats, bankers, journalists, Cabinet heads, corporate leaders, consultants, judges, and politicians.

Because economics is such a wide-ranging discipline, it's an excellent adjunct to

many programs of study. If your major is business administration, political science, or international relations, a minor in economics will provide valuable insights into the contemporary social environment. If you elect to concentrate in marketing or finance, you can profitably pursue economics as a second major or a minor. A pairing of economics and journalism can help you lay the groundwork for a successful career in business communications.

While an undergraduate degree in economics is a prerequisite for advanced studies in the discipline, it also serves as an excellent foundation for graduate work in a variety of other fields: business, law, public administration, and health, to name a few.

Then, of course, you may decide to become a professional economist. In this case you almost certainly will need a graduate degree and will be pursuing career opportunities in business, teaching, research, or government. The National Association of Business Economists publishes a helpful booklet, *Careers in Business Economics*,<sup>1</sup> that describes the responsibilities of economists in government, insurance, banking, consulting, investments, industry, and communications. The booklet also outlines the education requirements for business economists and provides information on salaries.

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## Career Profiles

To give you an idea of the diversity of careers available to students who choose to major in economics, we present in this text a series of Career Profiles. Each of the book's six parts opens with a profile of an American whose name or face you may readily recognize. Although there is as much as a 45-year age span among our subjects, and although they are enjoying success in widely different fields, they all have one important thing in common: a degree in economics.

As you study these profiles, don't focus only on the subject's credentials and accomplishments. Take the opportunity to do a little brainstorming about your own future. Ask yourself which of these fields is most appealing to you. Why? Do you want to get on the fast track in a major corporation, with the attendant perquisites and power struggles? Or would you thrive as an entrepreneur, with all the risks and rewards of being your own boss? Do you see yourself as a Wall Street guru, crunching numbers to forecast stock market trends with billions of dollars at stake? How about a position on the trading desk of the Federal Reserve Board's Open Market Committee, executing large-volume sales and purchases of government securities?

The purpose of this exercise isn't to fantasize about a future of wealth and power (although these certainly are valid ambitions). Rather you'll want to consider possible careers in light of your interests, abilities, and temperament, and your willingness to invest time and effort in acquiring the necessary background.

Whether you choose the career path of one of our profile subjects is less important than that you become aware of the exciting and extensive array of options open to you as an economics major. And if you select another field of concentration, you'll find that in all your endeavors you'll be well served by the discipline of the eco-

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<sup>1</sup>Copies of this booklet may be obtained from the National Association of Business Economists, 28349 Chagrin Blvd., Suite 201, Cleveland, OH 44122. Single copies are free of charge; quantity discounts are available.



The study of economics can lead to success in a diversity of careers.

conomic way of reasoning. It's hard to think of a situation in which you wouldn't benefit from thinking logically and weighing alternatives. You'll acquire these facilities in your study of economics.

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## Salaries for Economists

Whatever your career objectives, it's probably safe to assume that they include earning a living for yourself, and perhaps eventually helping to support a family. What can economics majors expect to earn in the various career paths open to them?

Table 1 on p. 6 shows 1987 salaries for five occupational titles. The data in Tables 2, 3, and 4 (see p. 6) are based on information contained in *Salary Characteristics 1986*, a report of a survey conducted by the National Association of Business Economists. Table 2 gives base salary data for 17 employment classifications. Table 3 shows economists' compensation by area of responsibility, and Table 4 breaks down economists' income by level of education.

You'll notice that the highest-paid economists in the NABE survey worked in securities and investments, retail and wholesale trade, banking, and nondurable manufacturing. At the lower end, the survey shows, were economists in the fields of real estate, nonprofit research, and academics.

**Table 1 Occupational Titles and Salaries**

Occupational titles or job functions	1987 salary
Financial analyst (finance and economics)	\$26,580
Accounting, auditing	21,780
Retail, wholesale sales	20,388
Business administration	19,824
Communications	18,144

Source: College Placement Council, 1987.

**Table 2 Median Base Salary of Business Economists by Industry of Employment**

Securities and investments	\$75,000
Retail and wholesale trade	62,700
Insurance	62,000
Banking, all types	60,000
Nondurable manufacturing	60,000
Mining	59,300
Consulting	58,100
Durable manufacturing	56,000
Trade association	55,000
Publishing	49,000
Transportation	46,500
Government	46,000
Communications and utilities	45,000
Real estate	42,500
Nonprofit research organization	40,900
Academic	37,800
Other	52,100

Source: National Association of Business Economists: *Salary Characteristics 1986*.

**Table 3 Median Base Salary of Business Economists by Area of Responsibility**

Corporate planning	\$55,000
Econometrician	40,000
Energy economist	50,000
Financial economist	52,000
General administration	59,000
General administration/economist	64,500
Industrial economist	51,450
Consulting economist	56,100
International economist	62,250
Macro forecaster	57,000
Marketing research	45,500
Statistician	33,600
Teaching	36,186
Micro/regional	45,911
Other	63,000

Source: National Association of Business Economists: *Salary Characteristics 1986*.

**Table 4 Compensation of Business Economists by Level of Education**

Highest degree obtained	Median base salary
Bachelors	\$45,000
Masters	47,500
PhD	61,000
All but dissertation	55,000

Source: National Association of Business Economists: *Salary Characteristics 1986*.

In this connection, three points should be emphasized. First, while remuneration unquestionably is a key factor in the choice of a career path, equally serious consideration should be given to the issues of job satisfaction, working environment, and opportunity for personal growth and professional advancement. Second, many economists wear more than one hat. For example, university professors may augment their income by serving as consultants to business, industry, or government, or by publishing textbooks. Finally, the forces of economic, social, political, and technological change are constantly at work, creating new disciplines and career paths and causing some established ones to decline in importance. Thus the menu of career choices open to you upon graduation may differ in some key respects from the opportunities available to economics majors today.

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## Resources: How to Get the Most Out of This Course

If this course is as important to you as previously suggested, then how should you go about maximizing the return on the time you will invest? Several resources exist, of which you can and should take full advantage. The more thorough you are in your commitment and utilization of each, the greater will be your payoff in years to come.

In addition to this course in economics, you've probably signed up for (or already taken) a course in one of the physical sciences: biology, chemistry, physics. In these courses you can expect to spend a good amount of time in the laboratory, conducting experiments, performing dissections, and participating in other types of "hands-on" learning experiences.

In economics you won't be peering at tissue sections under a microscope or cooking up exotic mixtures over a Bunsen burner. In economics, your laboratory is no less than the world you live in, and the world in which you'll eventually pursue a career. It's in this wider environment that you'll find valuable resources that will both reinforce the economic concepts you'll be learning and suggest some helpful career directions.

Your first resource, of course, is this **textbook** and the accompanying **study guide**. You'll find it beneficial to use the text as a blueprint that details the relationships among various economic principles. To enhance your comprehension of the material, the book contains a number of useful learning aids.

The introduction to each chapter is followed by a **Concept Preview** that outlines the key points you'll be exploring and that you should understand when you've finished the chapter. At the end of each major chapter section is a **Concept Check**: a series of questions that will help you test your grasp of what you've just read. Stop and respond to these questions to make sure you've acquired the background you'll need to go on to the next section. The Concept Checks also will be useful when you're reviewing material for a test.

Throughout each chapter, **Key Terms and Concepts** are highlighted in boldface type and defined when introduced. These terms also are defined in the margins and are listed at the end of the chapter. The marginal definitions will be a valuable aid in building your economic vocabulary. In the back of the book you'll find all of the text's key terms in a comprehensive **Glossary**.

Learning economic theory is first-rate mental exercise—but how do we translate



theory into application? In addition to the many relevant real-world examples provided throughout the text, each chapter also contains one or more boxed analyses that enlarge on and illustrate an important concept discussed in the text. Entitled **Principles in Practice**, each of these commentaries offers you a close-up view of an economic theory in action, from supply and demand to the pros and cons of trade protectionism.

In addition to the **Career Profile** that appears at the beginning of each of the book's six parts, you'll encounter throughout the text a series of profiles of leading economists entitled **Economic Thinkers**. From Adam Smith through Karl Marx, these profiles provide information about the subjects' major contributions to economic thought and also offer some intriguing personal sidelights.

The **Summary** at the end of each chapter enumerates the important concepts you've just learned, and the **Problems and Applications** give you the opportunity to demonstrate your understanding of these concepts in both expository and graphic form. Like the Concept Checks, these end-of-chapter features are helpful review aids.

At the end of each chapter is a list of **Suggested Readings**: magazine articles or selected chapters in textbooks and other reference works that will enhance your comprehension of key material you've just studied. Go to the **library** and find these readings. You may be surprised to discover how much they can add to your growing store of knowledge about economics.

Talk to your **instructor**. He or she is an experienced, knowledgeable professional who wants to serve as a resource for you and your classmates. As was suggested earlier, this text is your blueprint for the study of the relationships among



Business literature is a major resource for understanding economic principles in action.