



INTRODUCTION TO  

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**ECONOMIC  
PRINCIPLES**

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RODNEY H. MABRY AND HOLLEY H. ULBRICH

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# INTRODUCTION

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# TO ECONOMIC

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# PRINCIPLES

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RODNEY H. MABRY

*Clemson University*

HOLLEY H. ULBRICH

*Clemson University*

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# ABOUT

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## THE AUTHORS

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### **Rodney H. Mabry**

Rodney H. Mabry is Professor of Finance and Department Head at Clemson University. He received his Ph.D. in economics from the University of North Carolina at Chapel Hill, specializing in economics of the public sector.

Professor Mabry's research interests cross a wide range of topics. He has published articles and completed funded research projects involving regional differences in state and local taxation and expenditures, growth in crime, federal government spending, economies of scale in state court systems, the effectiveness of public employment projects, the advantages of "real dollar" mortgage instruments, the impact of technology on employment, and teacher fringe benefits. For several years he also served as a Field Research Associate for the Brookings Institution and for the Woodrow Wilson School at Princeton University.

Dr. Mabry lives in Clemson, South Carolina, with his wife, Merle, and their children, Brad and Patty.

### **Holley Ulbrich**

Holley H. Ulbrich is Alumni Professor of Economics at Clemson University, where she has been on the faculty since 1967. She is the author of three other textbooks in economics. She received her Ph.D. in Economics from the University of Connecticut, specializing in international economics and public finance. Professor Ulbrich's research interests are varied, but with a strong emphasis on public policy issues.

For five years she served as the Director of the Center for Economics Education at Clemson University, winning a Freedoms Foundation Award for Excellence in Private Enterprise Education for her work. She

has also served in Washington as a Senior Analyst at the U.S. Advisory Commission on Intergovernmental Relations and is currently a Senior Fellow at the Strom Thurmond Institute for Government and Public Affairs at Clemson.

Dr. Ulbrich and her husband, Carlton, a Professor of Physics, are the parents of three daughters, Christine, Carla, and Katrina.

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# PREFACE

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Any author of a one-semester text for the introductory economics course is acutely aware of the basic economic problem of choice and scarcity. Not only is it critical to select what is important, relevant, and worth remembering, but also—unlike the two-semester principles of economics course—the one-semester course lacks a standard sequence or even a standard selection of topics. The audience for the one-semester course ranges from remedial to beginning MBA students; the emphasis varies from heavily micro to heavily macro to current issues. While two-semester texts look increasingly similar, the offerings in the one-semester market are as diverse as a Chinese menu.

In searching for a text for our students, we found that despite the variety there was an empty space in the middle where we were looking. We wanted a text that neither assumed too much nor asked too little; that was neither all microeconomics with a macroeconomics afterthought nor vice versa; that had enough theory but not too much; that integrated current issues into the discussion of theory; and that provided the neophyte economist enough pedagogical aids without taking a spoon-fed approach. We wanted a book that set a theme early on and followed it through, so that the pieces of economics fit together in a coherent whole. We wanted to give equal emphasis to both micro and macro, while providing some options about which of the two areas to emphasize. And, while authors are forced to make some difficult decisions in a text such as this about what to include and what to delete, we felt that appendixes and “roadmaps” through the text should assist the instructor in tailoring the course content to his or her particular preferences.

This book represents our best effort to design a text that meets the needs for balance, brevity, and coherence. The coherence of economics as a single melody with many variations is established in the first chapter, where we identify the characteristics of the practical economist—a per-



son who engages in self-interested, maximizing behavior, who responds to incentives and chooses at the margin, and who weighs costs and benefits before making a decision. In the chapters that follow, the

practical economist passages are identified with



in the mar-

gin; the final chapter reiterates the interrelationships of economic ideas through the practical economist concept. The initial description of the practical economist, with whom the student can easily identify, and the constant reminder of that behavioral model throughout the text should make it clear to the student that these assumptions about the behavior of individuals as practical economists underlie all economic theory. The practical economist also provides some continuity between macro and micro, since the behavioral assumptions are the same for both. Thus, the student will see economics not as a series of unrelated topics and chapters, but as a description of the various facets of economic behavior of individuals acting as practical economists.

We have designed the text to aid the student in comprehending and retaining important points. Each chapter begins with an outline and a preview to set the stage and ends with a numbered summary for review and reinforcement, thought-provoking questions and problems, and suggested readings to encourage further exploration. Key terms are defined in the margins for easy reference, and each chapter contains three or more boxed CHECKLISTS—brief, helpful summaries of key ideas in the preceding pages.

The book is current. Up-to-date examples and contemporary approaches to economic problems and issues reflect the late 1980s and prepare the student for the 1990s. Boxes in each chapter add expanded illustrations of particular chapter concepts to the shorter examples in the text. Aggregate demand and supply are used as the foundation of the macroeconomic approach, and the book is organized so that it is possible to teach the Keynesian model or to delete it.

Another special feature of this text is the boxed *myth* in each chapter. Students come to their first economics course with a great deal of acquired folk wisdom, much of which is simplistic, inaccurate, or just plain wrong. The myth boxes identify and demolish some of these time-honored wrong ideas that haunt economics—myths such as “the dollar is backed by gold,” “all monopolists make profits,” and “we can fine-tune the economy.” Thus, the myth sections reinforce the efforts of the text and the instructor to teach students to approach economic questions in a systematic and thoughtful manner by challenging some of their previously acquired ideas. The accompanying Instructor’s Manual provides some further suggestions for using these myths.

Macro and micro concepts receive approximately equal attention (eight chapters each) in this book, unlike many of the books currently on the market which strongly emphasize one or the other. Three introductory chapters present some basic ideas for both micro and macro. Micro precedes macro so that macro can be built on micro foundations. Several appendixes allow the instructor to extend and enhance the theory in both micro and macro if time permits. The appendixes expand such

topics as the multiplier, the Phillips curve, cost curves, and elasticity in more detail than the text. Concluding chapters cover international economics and comparative economic systems, closing with a study of the practical economist model of economic behavior, with suggestions for continued use of practical economics in daily life.

Instructors may take one of three paths through the course: one with a micro emphasis, one with a macro emphasis, or one with a balanced emphasis.

Micro Emphasis	Macro Emphasis	Balanced Emphasis
<i>Introduction</i>		
Chapter 1	Chapter 1	Chapter 1
Chapter 2	Chapter 2	Chapter 2
Chapter 3	Chapter 3	Chapter 3
<i>Microeconomics</i>		
Chapter 4	Chapter 4	Chapter 4
Chapter 5	Chapter 9	Chapter 5
Chapter 6	Chapter 10	Chapter 6
Chapter 7	Chapter 11	Chapter 7
Chapter 8		Chapter 8
Chapter 9		
Chapter 10		
Chapter 11		
<i>Macroeconomics</i>		
Chapter 12	Chapter 12	Chapter 12
Chapter 13	Chapter 13	Chapter 13
Chapter 15	Chapter 14	Chapter 15
Chapter 16	Chapter 15	Chapter 16
Chapter 18	Chapter 16	Chapter 17
Chapter 20	Chapter 17	Chapter 18
(trade part)	Chapter 18	Chapter 20
Chapter 22	Chapter 19	Chapter 21
	(part or all—has three distinct sections)	
	Chapter 20	Chapter 22
	(finance part)	
	Chapter 22	

Both the micro and the macro outlines include 17½ chapters, while the balanced emphasis contains 17 chapters. In all three cases, Chapter 22 can be assigned for reading and review for the final exam without class discussion. Thus, we offer several approaches to developing the 16-chapter sequence that many instructors tell us is the maximum that they can cover in one semester. For bright students or special emphasis, six appendixes provide extensions of theoretical questions covered lightly or omitted in the body of the chapters. These appendixes offer further flexibility in customizing the course to the tastes of the instructor and the needs of the students.

We want to express our thanks to our initial editor, Daniel Kaizer, to our other editors, Sheila Gillams and Elisa Adams, and to the following reviewers for greatly improving this text: Marirose Arendale, Chattanooga State Technical Community College; Melvin Burke, University of Maine at Orono; Jean M. Caldwell, Central State University; Michael D. Copeland, Montana State University; Gary A. Dymski, University of Southern California; Michael G. Ellis, New Mexico State University; Michael J. Farrell, California State University; William G. Feipel, Illinois Central College; Gary Francis, California State University; Arthur Friedberg, Mohawk Valley Community College; Gary Gigliotti, Rutgers University; Russell Halliday, University of Nevada; Karen Hallows, University of Missouri; Dorene Isenberg, University of Maine at Orono; William Kerby, California State University; Sumner LaCroix, University of Hawaii; Mark Morlock, California State University–Chico; Bette Polkinghorn, California State University–Sacramento; Charles A. Roberts, Western Kentucky State University; Michael A. Stoller, State University of New York–Plattsburgh; and Charles K. Wilber, University of Notre Dame.

Thanks also to our colleagues at Clemson University for numerous ideas and suggestions; to our students, who were the inspiration and the guinea pigs for this effort; to our spouses, Carl Ulbrich and Merle Mabry, for their patience; and to our children, Christine, Carla, and Katrina Ulbrich and Bradley and Patricia Mabry for putting up with much absentee parenthood while this book was in process.

*Rodney H. Mabry*  
*Holley H. Ulbrich*



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