

canadian microeconomics

problems and policies

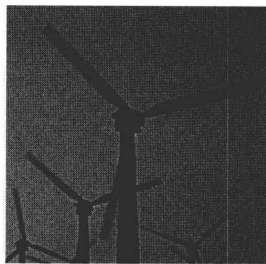
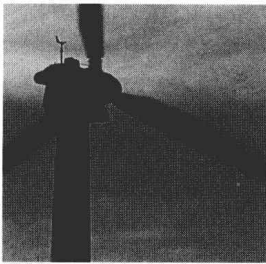


seventh edition

brian lyons

canadian microeconomics

problems and policies



seventh edition

brian lyons Sheridan Institute of Technology and Advanced Learning



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seventh edition

For Barb, Amber, Marnie,
Brent, Dylan, and Liam

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Preface

Introduction

This book is an introductory microeconomics text that addresses itself to the key economic issues and problems facing Canada and Canadians today. It is not oriented toward rigorous, elegant or abstract theory, nor to a mathematical approach to economics—students of introductory economics neither want nor need these. Rather, its approach tends to be practical and “real-world” based, using economic theory to develop an understanding of the issues and problems being discussed, and the policy choices facing governments in dealing with these matters. It is ideally suited for a student’s first course in economics and has been used in this role at the secondary-school, community-college, and university levels.

New to This Edition

In addition to updating some of the sixth edition’s material, the revisions for the seventh edition were undertaken with the following goals in mind:

1. Improve the flow of the material, within chapters and between chapters.
2. Add current and interesting material, through:
 - various new *In the News* and *You Decide* boxes.
 - new end-of-chapter questions that add interest and relevance to the material.
 - many new margin boxes with examples and colourful facts.
 - increased coverage of ebusiness (including the growth of high-tech manufacturing and the “dot-com, dot-bomb, dot-gone” phenomenon), as well as Chapter 8’s questions on how the costs and revenues of ebusiness firms differ from conventional firms, and the problems and opportunities that this creates.
3. Increase interactivity of students with the text, not only through new *In the News* and *You Decide* boxes, but also through more references to websites and questions that invite students to use websites to update information in the text. Along the way, various sections were updated and improved as opportunities presented themselves. Chapter 11 has been improved with updated coverage of poverty—particularly the use of the new after-tax Low Income Cut-Offs that were recently introduced and which change estimates of the number of poor Canadians by 27 percent. The result is coverage that is updated, more relevant, clearer, and more concise.

Chapters 11 and 12 benefit from the use of Statistics Canada's data from the Survey of Labour and Income Dynamics (SLID), and the clarification that is provided by the three definitions of "income" used in these data.

In Chapter 12, there is reorganized and streamlined coverage of government finances, the result of which is an updated and concise presentation of the issues that flows more smoothly from start to finish.

The revisions to Chapter 14 provide improved coverage of the evolution of government farm policy over the years in the context of the changing economic environment.

The most up-to-date coverage of the Kyoto agreement and its implications as of the time of writing has been added to Chapter 15.

Finally, Chapter 16 has been updated to provide the broadest possible context for a recap of the past and glimpse into the future.

Overall, the intended result of these changes is a text that is more current and that flows more effectively, providing additional opportunities for students to interact with the material.

Features

According to both students and teachers, a major feature of this book is its readability, which helps considerably in the learning and teaching of a subject that has an (undeserved) reputation of being rather formidable. Other aspects of the text include:

- **Coverage of "the basics"** Chapters 1, 2, and 5 through 7 provide good coverage of the microeconomics basics of markets and market structure.
- **Flexibility** In addition to these "basics," a variety of topics can be covered, including marginal cost/marginal revenue analysis (Chapter 8), competition policy (Chapter 9), labour markets and unions (Chapter 10), trends concerning jobs and incomes (Chapter 11), the role of government in the economy (Chapter 12), the economics of the environment (Chapter 14), and agriculture (Chapter 15).
- **Interactiveness** The boxes described below, together with the discussion questions at the end of each chapter and the Study Guide, provide extensive opportunities for students to interact with the material, both in groups and on their own.
- **Pedagogical Tools** Learning Objectives, *You Decide* boxes, *In the News* boxes, and end-of-chapter questions all help students focus on and apply the important points in each chapter.

Organization

To a considerable extent, the text consists of two sections, with the section through Chapter 8 covering mostly the basic elements of microeconomics and the second half of the book presenting specific topics, most of which involve data pertaining to Canada's current economic situation. Following the discussion of the basic problems and questions of economics and an examination of the Canadian economy, the text presents the basic tools of microeconomics—demand and supply—and how these interact to determine output and prices under a variety of conditions, ranging from highly competitive to monopolistic industries. In the second half of the book various topics are covered, including government policy toward business, labour markets and labour unions, trends in employment and incomes, government programs, financial problems and policy choices, and economic issues related to the environment and agricultural sector. The text concludes with a short chapter that ties the text together with a review of Canada's past economic directions and a discussion of future trends.

Supplements

The following supplements are available for this text:

- **Instructor's Resource CD-ROM:**
 - Instructor's Resource Manual: includes the answers to all end-of-chapter questions, assignment questions and answers for each chapter, answers to boxed questions in the text, and Transparency Masters for all figures and tables in the text.
 - Pearson TestGen: includes all the contents of a test item file in a computerized format, which enables instructors to view and edit the existing questions, add questions, generate tests, and print the tests in a variety of formats. The Pearson TestGen is compatible with both Windows and Macintosh systems.
- **Study Guide:** includes a review of central themes, self tests with multiple-choice, true/false, fill-in-the-blank, short-answer, problem, and case-study questions, and answers for all self-test questions.
- **Companion Website:** includes valuable student resources, such as self-assessment quizzes, links to related websites, and more. Visit the site at www.pearsoned.ca/lyons.

Acknowledgments

Anyone undertaking a project of this magnitude and duration feels indebtedness to many people. In particular, I would like to express my gratitude to Bill Trimble, who said I should do it, Len Rosen, who refused to let me say I wouldn't, and all those teachers and students who used the first six editions and offered helpful comments and suggestions. I would also like

to thank the people whose reviews of all seven editions of the manuscript were so helpful: for the first edition, Ray Canon, Gord Cleveland, Ward Levine, Jim Thompson, and Ian Wilson; for the second, Alan Idiens and Chuck Casson; for the third, Linda Nitsou, Bo Renneckendorf, Gord Enemark, L.W. Van Niekerk, Stephen Wise, and Ann Dunkley; for the fourth, Carol Ann Waite, Izhar Mirza, John Parry, and Byron Eastman; for the fifth, Valerie Beckingham, Michael Loconte, Pauline A. Lutes, Peter J. MacDonald, Karen Murkar, John Parry, Don Pepper, Judith Skuce, Don Wheeler, and Peter Young; for the sixth edition, Peter Peters, Karen Murkar, Ian Wilson, Don Wheeler, Martin Moy, Bill Gallivan, Terri Anderson, and Jane Taylor; and for this seventh edition, Worku Aberra of Dawson College, Frances Ford of New Brunswick Community College (Moncton), Carl Graham of Assiniboine Community College, Donald Howick of St. Clair College, Al Idiens of College of New Caledonia, Peter J. MacDonald of Cambrian College, Raimo Marttala of Malaspina College, Martin Moy of University College of Cape Breton, A. Gyasi Nimarko of Vanier College, John Pirrie of St. Lawrence College, and Charles Walton of Nova Scotia Community College.

Finally, I want to express my appreciation to my family—Barb, Marnie, and Amber—who have provided support and understanding over unduly long periods of time.

I have no doubt that there are many improvements that can be made to this book, and welcome suggestions from teachers and students. Please write to me at Sheridan College, 7899 McLaughlin Road, Brampton, Ontario L6V 1G6, or email me at brian.lyons@sheridanc.on.ca.

Brian Lyons
2003

A Great Way to Learn and Instruct Online

The Pearson Education Canada Companion Website is easy to navigate and is organized to correspond to the chapters in this textbook. Whether you are a student in the classroom or a distance learner you will discover helpful resources for in-depth study and research that empower you in your quest for greater knowledge and maximize your potential for success in the course.



[www.pearsoned.ca/lyons]

The screenshot shows the website interface. At the top left is the Pearson Prentice Hall logo. The address bar shows 'http://www.pearsoned.ca/lyons'. Navigation buttons for Home, Search, Help, and Profile are visible. The main content area is titled 'Companion Website' and lists two textbooks: 'Canadian Microeconomics: Problems and Policies, Seventh Edition' and 'Canadian Macroeconomics: Problems and Policies, Seventh Edition' by Lyons. Below this, there are sections for 'Student Resources' and 'Instructor Resources'. The Student Resources section lists: Chapter Objectives, Destinations, Quizzes, Net Search, and Glossary. The Instructor Resources section mentions a downloadable Instructor's Manual that is password protected.

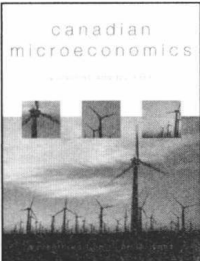
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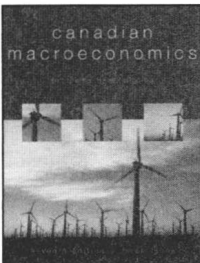


Student Resources

The modules in this section provide students with tools for learning course material. These modules include:

- Chapter Objectives
- Destinations
- Quizzes
- Net Search
- Glossary

In the quiz modules students can send answers to the grader and receive instant feedback on their progress through the Results Reporter. Coaching comments and references to the textbook may be available to ensure that students take advantage of all available resources to enhance their learning experience.



Instructor Resources

The modules in this section provide instructors with additional teaching tools. A downloadable Instructor's Manual will be available in this section. Where appropriate, this section will be password protected.

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