

Economics & Society

THIRD EDITION



EDWIN G. DOLAN



ECONOMICS & SOCIETY

THIRD EDITION



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PREFACE



AS THE ECONOMY changes, teaching materials must change, too. Many such changes are incorporated in this third edition of *Economics & Society* from Horizon Textbook Publishing.

Many of the changes reflect the increased globalization of economic life. Years ago, international topics were confined to one or two chapters, usually tucked in at the end of textbooks, and usually skipped over in the rush to complete the semester. That approach is no longer suitable today. In the macroeconomics volume, discussion of the balance of payments, net exports, exchange rates, international financial flows, and related topics are fully integrated into the chapters where the related theory and policy issues are discussed. There is no separate international macro chapter at all. In the microeconomics volume, there is still a separate chapter at the end covering international trade and trade policy, but this is no longer the first introduction to these topics. Instead, it is a capstone chapter that pulls together individual threads of international economics that have been introduced chapter by chapter, starting in Chapter 1.

The globalization of this text is not confined to discussion of the big issues, like exchange rates or comparative advantage. It is also reflected in a wide variety of small boxed cases and examples incorporated throughout the text. These are not drawn exclusively from U.S. experience, as was the case in textbooks of the past, and why should they be? Principles such as supply and demand, marginal cost, and the effects of expansionary monetary policy apply as much in Russia or Malawi as they do in Kansas or California. The inclusion of examples from many places around the world will make the presentation of economic principles more vivid both for increasingly outward-looking American students and for the large number of students from abroad who come to the United States for an education.

Other changes reflect trends in economics itself. Neoclassical models of rational choice remain the foundation of microeconomics, but they are increasingly supplemented by expanded approaches that incorporate insights of other social sciences. Users of the microeconomics volume will find these expanded approaches incorporated at many points. Similarly, recent years have seen a restoration of balance in the teaching of macroeconomics between long-run and short-run perspectives, and between the real and monetary sectors of the economy. The macroeconomics chapters of this new edition begin with an introduction to the theory of economic growth before introducing short-run business cycle considerations. Also, the chapters on money, banking, and monetary policy are moved to an earlier place in the book in keeping with

their importance. The short-run “Keynesian cross” income determination model no longer receives chapter-length treatment, although it is still included in a shorter form.

As was the case with the first edition, it has been a pleasure for me to work with such an innovative publisher.

Acknowledgments

My first thanks must go to my long-time co-author, David E. Lindsey, with whom I worked on earlier editions of this text over a period of many years. During his years as Deputy Director of the Division of Monetary Affairs of the Board of Governors of the Federal Reserve System, David was able to find the ideal balance between the theory and practice of economics. Although he did not contribute to preparation of this new edition, his strong influence can still be seen in both the macroeconomic and microeconomic chapters.

Second, I thank the entire publishing and editorial staff of Horizon Textbook Publishing for introducing me to this great new concept in college publishing. I hope you, the user, benefit as much as I have.

Finally, I would like to acknowledge the support and inspiration of Jere Calmes who encouraged me to try my hand at textbook writing more than 30 years ago. Without his energy and commitment over many years, this book would never have been written.

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Features of This Edition

- *State of the art pedagogy.* An abundance of case studies introduce and illustrate the subject matter of every chapter.
- *Integrated international economics.* As the world economy itself comes closer together, international economics must be more closely integrated into the principles course. Accordingly, topics in international economic theory and policy, ranging from balance of payments accounts to the foreign exchange operations of the Fed, are introduced in the chapters in which they occur naturally, rather than presented separately in a single chapter.

Supplements

Test Bank

The accompanying Test Bank contains over 2,000 questions in a variety of formats including multiple choice, true/false, and essay questions.

Instructor's Manual

The expanded Instructor's Manual contains material which can be easily included in lectures. The manual also includes all of its traditional elements, including instructional objectives, lecture notes, and suggestions.

Study Guide

The Study Guide has hands-on applications and self-testing programs. It is available in two versions, *Macroeconomics*, and *Microeconomics*. Students can gain an advantage by reinforcing their reading and lecture notes with the following study guide features:

- *Where You're Going*. The objectives and terms for each chapter are recapped to tie concepts together.
- *Walking Tour*. The "Walking Tour" section provides a narrative summary of the chapter and incorporates questions on key points. Answers are given in the margin.
- *Hands On*. Geographical and numerical exercises clarify concepts and better prepare students for tests and quizzes.
- *Economics in the News*. A news item illustrates how concepts covered in the chapter can appear in the real world. Questions and answers reinforce the concepts.
- *Questions for Review*. These questions and answers follow the key chapter concepts, preparing students for the self-test.
- *Self-Test*. Extra test preparation increases a student's understanding and ability to succeed.
- *Careers in Economics*. Formerly an appendix in the text, this material provides students with an understanding of where the study of economics could lead them.

Online Student Tutorial

Created to support and enhance the student's comprehension of the economic principles discussed in the textbook. The online tutorial includes chapters objectives and study questions. To access the tutorial please visit our Students section on our Web site www.htpublishing.com.

Economic PowerPoint Transparencies

This PowerPoint slide set combines graphics and text to further illustrate the economic principles discussed in the text.

About the Author

EDWIN G. DOLAN was born in Oklahoma and grew up in a small town in Oregon. He attended Earlham College and Indiana University, where he majored in Russian Studies and received the Certificate of Indiana University's famed Russian and East-European Institute. After earning a doctorate in economics from Yale University, he taught at Dartmouth College, the University of Chicago, George Mason University and Gettysburg College. In 1990, he began teaching in Moscow, Russia, where he and his wife founded the American Institute of Business and Economics, an independent, not-for-profit MBA program. Since retiring as President of that institution in 2001, he has taught global macroeconomics, managerial economics and public policy in Latvia, Hungary, Croatia, Bulgaria, and the Czech Republic. When not lecturing abroad, he makes his home in Washington's San Juan Islands.

TABLE OF CONTENTS



Preface

xiii

CHAPTER 1 THE ECONOMIC WAY OF THINKING	3
What? How? Who? For Whom?	4
<i>Deciding What to Produce: Opportunity Cost</i>	<i>5</i>
<i>Deciding How to Produce: Efficiency and Entrepreneurship</i>	<i>6</i>
<i>Deciding Who Will Do Which Work: The Division of Labor</i>	<i>9</i>
<i>Deciding for Whom Goods will be Produced:</i>	
<i>Positive and Normative Economics</i>	<i>11</i>
Coordinating Economic Choices	14
<i>A Noneconomic Example</i>	<i>14</i>
<i>Spontaneous Order in Markets</i>	<i>15</i>
<i>The Role of Hierarchy</i>	<i>16</i>
Economic Method	17
<i>Theories and Models</i>	<i>18</i>
<i>The Use of Graphs</i>	<i>19</i>
<i>Theory and Evidence</i>	<i>21</i>
<i>Theories and Forecasts</i>	<i>21</i>
<i>Theory and Policy</i>	<i>23</i>
Summary	24
Key Terms	25
Problems and Topics for Discussion	25
Case for Discussion	26
End Notes	28
Appendix to Chapter 1: Working with Graphs	29

CHAPTER 2 SUPPLY AND DEMAND:THE BASICS	39
Demand	40
<i>The Demand Curve</i>	40
<i>Shifts in the Demand Curve</i>	42
Supply	46
<i>The Supply Curve</i>	46
<i>Shifts in the Supply Curve</i>	49
The Interaction of Supply and Demand	51
<i>Market Equilibrium</i>	51
<i>Shortages</i>	53
<i>Surpluses</i>	54
<i>Changes in Market Conditions</i>	54
<i>Equilibrium as Spontaneous Order</i>	57
Price Floors and Ceilings: An Application	58
<i>Price Supports: The Market for Milk</i>	58
<i>Price Ceilings: The Case of Rent Control</i>	60
Summary	65
Key Terms	66
Problems and Topics for Discussion	66
Case for Discussion	67
End Notes	68

CHAPTER 3 SUPPLY, DEMAND, AND ELASTICITY	69
Elasticity	70
<i>Price Elasticity of Demand</i>	70
<i>Calculating Elasticity of Demand</i>	72
<i>Varying- and Constant-Elasticity Demand Curves</i>	74
<i>Determinants of Elasticity of Demand</i>	76
<i>Income Elasticity of Demand</i>	78
<i>Cross-Elasticity of Demand</i>	79
<i>Price Elasticity of Supply</i>	79
Applications of Elasticity	81
<i>Elasticity and Tax Incidence</i>	81
<i>Elasticity and Prohibition</i>	85
Summary	88
Key Terms	89
Problems and Topics for Discussion	89
Case for Discussion	90
End Notes	91

CHAPTER 4 ECONOMIC THEORY, MARKETS, AND GOVERNMENT	93
The Structure of Economic Theory	93
<i>Objectives, Constraints, and Choices</i>	94
<i>Economic Theory and Rationality</i>	95
<i>Full and Bounded Rationality</i>	97
<i>Self-Regarding Versus Other-Regarding Preferences</i>	98
Market Performance and Market Failure	100
<i>Market Performance</i>	100
<i>Market Failure</i>	102
The Economic Role of Government	106
<i>The Market Failure Theory of Government</i>	107
<i>The Public Choice Theory of Government</i>	107
Summary	109
Key Terms	110
Problems and Topics for Discussion	110
Case for Discussion	111
End Notes	112

CHAPTER 5 CONSUMER CHOICE	113
Utility and the Rational Consumer	114
<i>Utility</i>	114
<i>Constraints on Opportunities</i>	114
<i>Diminishing Marginal Utility and Consumer Choice</i>	115
<i>From Consumer Equilibrium to the Law of Demand</i>	117
Substitution and Income Effects	118
<i>The Substitution Effect</i>	118
<i>The Income Effect</i>	118
<i>Income and Substitution Effects and the Demand Curve</i>	119
<i>Applications of Income and Substitution Effects</i>	120
<i>The Demand for Safety</i>	122
<i>Children as Durable Consumer Goods</i>	122
Consumer Surplus	123
<i>The Demand Curve as Willingness to Pay</i>	124
<i>Measuring the Surplus</i>	124
<i>Consumer Surplus, Producer Surplus, and Gains from Exchange</i>	124
<i>Application: The Excess Burden of a Tax</i>	126
Summary	128
Key Terms	129
Problems and Topics for Discussion	129

Case for Discussion	130
End Notes	131

CHAPTER 6 EXTERNALITIES AND ENVIRONMENTAL POLICY	133
Pollution Abatement as a Problem in Resource Economics	134
<i>The Benefits of Waste Discharge and the Costs of Pollution Abatement</i>	134
<i>The Marginal Social Cost of Pollution</i>	136
<i>The Optimal Quantity of Pollution</i>	136
<i>Criticisms of the Optimal-Pollution Concept</i>	137
Controlling Externalities Through Voluntary Exchange	138
<i>Markets Without Transaction Costs</i>	139
<i>Market Resolution of Externalities in Practice</i>	140
<i>Transaction Costs as Barriers to Voluntary Resolution of Externalities</i>	142
Government Policies for Controlling Externalities	143
<i>Command and Control</i>	143
<i>Private Litigation and Tort Law</i>	144
<i>Emission Charges</i>	145
<i>Emissions Trading</i>	147
Environmental Policy and Public Choice	148
<i>Logrolling and Regional Interests</i>	148
<i>The Influence of Special Interests</i>	150
Global Aspects of Pollution Control	151
Summary	153
Key Terms	153
Problems and Topics for Discussion	154
Case for Discussion	154
End Notes	156

CHAPTER 7 GLOBAL TRADE AND TRADE POLICY	157
The Theory of Comparative Advantage: Review and Extensions	159
<i>Numerical Approach</i>	159
<i>Graphical Presentation</i>	160
<i>The World Production Possibility Frontier</i>	161
<i>Effects of Trade</i>	163
<i>Empirical Evidence on Comparative Advantage</i>	163
<i>Comparative Advantage with Multiple Factors of Production</i>	164
<i>The Importance of Demand</i>	164
<i>Comparative Advantage and "Competitiveness"</i>	165
Trade Policy and Protectionism	167
<i>Moves Toward Freer Trade Since World War II</i>	167
<i>Countertrends: The New Protectionism</i>	168

<i>Understanding Protectionism: Impacts of Trade on Income Distribution</i>	172
<i>Protectionism and Public Choice</i>	173
<i>A Race to the Bottom?</i>	174
Summary	176
Key Terms	176
Problems and Topics for Discussion	176
Case for Discussion	177
End Notes	178

CHAPTER 8 IN SEARCH OF PROSPERITY AND STABILITY	181
Macroeconomics in the Long Run: Economic Growth	182
<i>Measuring Economic Growth</i>	183
<i>Sources of Economic Growth</i>	183
<i>The Benefits and Costs of Economic Growth</i>	185
Short-Run Macroeconomics and: The Business Cycle	187
<i>Phases of the Business Cycle</i>	188
<i>Employment and the Business Cycle</i>	189
Price Stability	196
<i>Short-Run Costs of Inflation</i>	196
<i>Long-Run Costs of Inflation</i>	198
Summary	200
Key Terms	201
Problems and Topics For Discussion	201
Case for Discussion	202
End Notes	203

CHAPTER 9 THE CIRCULAR FLOW OF INCOME AND EXPENDITURE	205
The Circular Flow	206
<i>Gross Domestic Product and Gross Domestic Income</i>	207
<i>Components of GDP</i>	207
<i>Injections and Leakages</i>	208
The Determinants of Planned Expenditure	210
<i>Planned Versus Unplanned Expenditure</i>	210
<i>Consumption Expenditure</i>	212
<i>Planned Investment</i>	214
<i>Government Purchases</i>	215
<i>Net Exports</i>	215
Equilibrium in The Circular Flow	216
<i>An Expansion of Planned Expenditure</i>	216
<i>A Contraction of Planned Expenditure</i>	217

<i>The Multiplier Effect and the Business Cycle</i>	217
Summary	218
Key Terms	219
Problems and Topics For Discussion	219
Case for Discussion	220
End Notes	221
<hr/>	
CHAPTER 10 MEASURING ECONOMIC ACTIVITY	223
The National Income Accounts in Nominal Terms	224
<i>Gross Domestic Product</i>	224
<i>The Expenditure Approach to Measuring GDP</i>	226
<i>The Income Approach to Measuring Aggregate Economic Activity</i>	229
Measuring International Linkages	231
<i>The Current Account</i>	232
<i>The Capital and Financial Account</i>	234
<i>Relationship of the Accounts</i>	235
Measuring Real Income and the Price Level	236
<i>Real Gross Domestic Product and the Deflator</i>	236
<i>Producer Price Indexes</i>	237
<i>How Good are the National Income Accounts?</i>	238
Summary	242
Key Terms	243
Problems and Topics for Discussion	243
Case for Discussion	244
End Notes	245
Appendix to Chapter 10: Computation of Price Indexes	247
<hr/>	
CHAPTER 11 MONEY AND THE BANKING SYSTEM	251
Money: What It Is and What It Does	252
<i>The Functions of Money</i>	252
<i>Money as a Liquid Asset</i>	252
<i>Measuring the Stock of Money</i>	253
<i>Why Money Matters</i>	256
The Banking System	257
<i>Types of Depository Institutions</i>	257
<i>The Banking Balance Sheet</i>	258
<i>The Central Bank</i>	260
Ensuring the Safety and Stability of the Banking System	263
<i>Risks of Banking</i>	263
<i>Policies to Ensure Safety and Soundness</i>	264

<i>International Banking</i>	266
Summary	268
Key Terms	268
Problems and Topics For Discussion	268
Case for Discussion	269
End Notes	270

CHAPTER 12 CENTRAL BANKING AND MONETARY POLICY	271
How Banks Create Money	272
<i>A Simplified Banking System</i>	272
<i>Mechanics of Money Creation</i>	273
<i>Contraction of Money Supply</i>	278
<i>The Money Multiplier for the Simplified Banking System</i>	280
The Instruments of Monetary Policy	280
Open Market Operations	280
The Discount Rate	281
Changes in Required-Reserve Ratios	282
Other Factors Affecting the Money Multiplier and Reserves	283
Central Banking in the International Economy	284
<i>The Structure of the Foreign-Exchange Market</i>	284
<i>Supply and Demand in the Foreign-Exchange Market</i>	285
<i>Central Bank Intervention in the Foreign-Exchange Market</i>	289
Summary	293
Key Terms	294
Problems and Topics for Discussion	294
Case for Discussion	294
End Notes	295

CHAPTER 13 FISCAL POLICY AND ECONOMIC STABILITY	297
The Theory of Fiscal Policy	298
<i>Using Government Purchases to Combat a Contraction</i>	298
<i>Using a Change in Taxes or Transfer Payments to Combat a Contraction</i>	300
<i>Fiscal Policy and Inflation</i>	302
<i>Automatic Fiscal Policy</i>	305
The Budget Process	306
<i>The Federal Budgetary System</i>	307
Fiscal Policy and the Federal Deficit	308
<i>Automatic Fiscal Policy: The Structural Versus Cyclical Deficit</i>	310
<i>Economic Priorities</i>	310
<i>International Comparisons</i>	312

<i>The Deficit as a Policy Issue</i>	313
<i>Reasons Not to Worry About the Deficit</i>	313
<i>Reasons to Worry About the Deficit</i>	315
Summary	316
Key Terms	317
Problems and Topics for Discussion	317
Case for Discussion	318
End Notes	318

CHAPTER 14 AN INTEGRATED VIEW OF MONETARY AND FISCAL POLICY	319
Short-Run Effects of Monetary Policy	320
Long-Run Effects and the Neutrality of Money	323
Money and Fiscal Policy	325
<i>The Crowding-out Effect</i>	325
<i>Fiscal Policy in the Long Run</i>	327
<i>The Importance of the Fiscal-Monetary Policy Mix</i>	327
<i>Monetarism Versus Keynesianism: A Historical Note</i>	329
Summary	332
Key Terms	333
Problems and Topics for Discussion	333
Case for Discussion	334
End Notes	335

CHAPTER 15 CUSTOM SUPPLEMENT	339
1. The Economics Major at Georgia College	339
<i>Salaries for ECON Majors Are Higher Than Those for Most Other Majors at GCSU!</i>	341
2. Excise Taxes By State	342
3. Common Misconceptions About Globalization and Trade	347
<i>Trade Deficits</i>	347
<i>Fair or Free Trade?</i>	348
<i>Sweatshops</i>	348
<i>The Outsourcing Scare</i>	349
4. The High Costs of Protectionism	349
5. Public Goods and Externalities	349
<i>Market Failure and Property</i>	350
<i>Non-excludability</i>	351
<i>Third-party Effects</i>	352

6. Production Theory	352
<i>Short-run Costs:</i>	352
<i>Maximizing Profit</i>	354
<i>Types of Markets</i>	357
<i>Perfect Competition</i>	358
<i>Sources of Monopoly</i>	359
<i>The Profit Maximizing Monopoly</i>	360
<i>Antitrust and Regulation</i>	361
<i>Oligopoly and Monopolistic Competition</i>	361
7. U.S. Macroeconomic Data	362
8. Present and Future Value	363
9. Federal Income Tax	365
<i>Marginal Tax Rates</i>	365
10. Federal Receipts and Outlays, by Major Category, and Surplus or Deficit, Fiscal Years 1980–2007	366
11. Aggregate Demand and Aggregate Supply	366
<i>Aggregate Demand:</i>	367
<i>Aggregate Supply:</i>	369
<i>Short-run Aggregate Supply:</i>	369
<i>Long-run Aggregate Supply:</i>	371
<i>Equilibrium in the Macroeconomy:</i>	371
<i>Glossary</i>	375

PART I

