

2ND EDITION



# SURVEY OF ECONOMICS



IRVIN B. TUCKER

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second  
edition

# SURVEY OF ECONOMICS

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**IRVIN B. TUCKER**

UNIVERSITY OF NORTH CAROLINA AT CHARLOTTE



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To my wife, Nonie, whose love, encouragement, and support  
have made this book possible.

## ABOUT THE AUTHOR

IRVIN B. TUCKER has over twenty years of experience teaching introductory economics at the University of North Carolina at Charlotte and the University of South Carolina. He earned his B.S. in economics at N. C. State University and his M.A. and Ph.D. in economics from the University of South Carolina.

Dr. Tucker is Director of the Center for Economic Education at the University of North Carolina at Charlotte and long-time member of the National Council on Economic Education. He is recognized for his ability to relate basic principles to economic issues and public policy. His work has received national recognition by being awarded the Meritorious Leavy Award for Excellence in Private Enterprise Education, the Federation of Independent Business Award for Postsecondary Educator of the Year in Entrepreneurship and Economic Education, and the Freedom Foundation's George Washington Medal for Excellence in Economic Education. In addition, he has published numerous professional journal articles on a wide range of topics including studies of wage discrimination, entrepreneurship, and sports economics. Dr. Tucker is also the author of the highly successful *Economics for Today* text for two-semester economics courses, published by South-Western College Publishing.

# PREFACE

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## TEXT WITH A MISSION

The purpose of *Survey of Economics* is to teach, in an engaging style, the basic operations of the U.S. economy to students who will take a one-term economics course. Rather than taking an encyclopedic approach to economic concepts, *Survey of Economics* focuses on the most important tool in economics—supply and demand analysis—and applies it to clearly explain real-world economic issues.

In a nutshell, every effort has been made to make *Survey of Economics* “user friendly.” This text was written because so many others expose students to a confusing array of economic analyses, which forces students to simply memorize in order to pass the course. Instead, *Survey of Economics* presents a straightforward and unbiased approach that effectively teaches the application of basic economic principles. After reading this text, you should be able to say “that economics stuff in the news now makes sense.”

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## HOW IT FITS TOGETHER

The text presents the core material of microeconomics, macroeconomics, and international economics. The first 10 chapters introduce and develop the core of microeconomic analysis. Here students learn the role of demand and supply in determining prices in competitive versus monopolistic markets. This part of the book explores such issues as minimum wage laws, rent control, and pollution. The next 10 chapters develop the macroeconomics part of the text. Using the modern, yet simple, aggregate demand-aggregate supply model, the text explains measurement and changes in the price level, national output, and employment in the economy. The study of macroeconomics also includes how the supply of money and the demand for money influence the economy.

Finally, international economics is emphasized throughout the book because of the fact that we live in an increasingly interdependent world. The text concludes with two chapters devoted entirely to international issues. For example, students will learn how the supply of and demand for currencies determine exchange rates and what the complications of a strong or a weak dollar are.

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## TEXT FLEXIBILITY

*Survey of Economics* is easily adapted to an instructor’s preference for the sequencing of microeconomic and macroeconomics topics. Instructors can use the text in a macroeconomic/microeconomic sequence by teaching the first four chapters and then Parts III and IV. The author has taken care to ensure that Parts III and IV can stand alone

after the introductory material has been covered. This approach allows students to identify more with macro issues that tend to be in the news before studying microeconomics in Chapters 5–10 and the international economy in Part V.

There is an alternative placement for Chapter 21, “International Trade and Finance.” Some instructors say they prefer to emphasize international economics by placing it before the macroeconomic material in Parts III and IV. Other instructors believe that students should learn both the microeconomic and the macroeconomic material before tackling Chapter 21.

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## NEW TO THE SECOND EDITION

While the basic layout remains the same, the following are key changes in the second edition:

- New “International Economics” feature
- New international logos in the text margins
- New “On the Internet” assignments at the end of each chapter
- New and updated “Economics in Practice” and “Analyze the Issue” features
- New “Causation Chains”
- New international statistics appendix
- Updated economic data
- New “Tucker’s Home Page” Web site
- Expanded supplements package, including a PowerPoint presentation package and videos

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## MOTIVATIONAL PEDAGOGICAL FEATURES

*Survey of Economics* strives to motivate and pique the interest of the students with the following features.

### ■ Chapter Previews

Each chapter begins with a preview designed to whet the student’s appetite for the material presented in the chapter and to reinforce where the chapter fits into the overall scheme. Each preview appeals to one’s “Sherlock Holmes” impulses by posing several economic puzzles that can be solved by understanding the material presented in the chapter.

### ■ Margin Definitions and Conclusions

Key concepts introduced in the chapter are highlighted and then defined in the text and again in the margins. Important conclusions are also highlighted. These features serve as a quick reference that avoids forcing the student to search between the text and the margin in order to locate and comprehend the key concepts and conclusions.





## ■ Economics in Practice

Each chapter includes boxed inserts, which provide the acid test of “relevance.” This feature gives the student an opportunity to encounter timely real-world extensions of the explanations of economic theory. For example, students read about Fred Smith as he writes an economics term paper explaining his plan to create Federal Express. And students learn that the island of Yap really does use large stones with holes to serve as money. The applicable economic concepts are listed after the title of each article so that students can easily connect the appropriate economic theory with the boxed application.



## ■ International Economics

Today’s economic environment is global. *Survey of Economics* carefully integrates international topics throughout the text and presents the material using a highly readable and accessible approach designed for students with no training in international economics. To highlight international economics, sections of the text that present international material are identified by a special global icon in the text margin and the International Economics boxes.

## ■ Analyze the Issue

This feature follows each *Economics in Practice* and *International Economics* article. Many texts simply include a newspaper article and expect the student to understand the application. Instead, *Survey of Economics* leaves nothing to chance and asks specific questions that require students to test their knowledge of the material in the boxed insert. In order for these questions to be used in classroom discussions or homework assignments, answers are given in the Instructor’s Manual, rather than in the text.



## ■ You Make the Call

Watch for these! Who said learning economics can’t be fun? This feature is a unique approach to generating interest and critical thinking. These questions spur students to check their progress by answering challenging economic puzzles presented in game-like style. Students enjoy thinking through and answering the question, “making the call,” and then checking the correct answer at the end of the chapter. A student who “makes the right call” earns the satisfaction of knowing he or she has mastered the concept.

## ■ Cartoons

Cartoons are especially good vehicles for “lightening up” the material and reinforcing learning with humor. The author has included cartoons that both entertain and correlate well with the concepts being studied. Also, cartoons help reinforce the idea that economic concepts do indeed apply to real-world ideas. Instructors often encourage students to bring cartoons to class that illustrate the concepts being studied.

## ■ Illustrations

Clarity in graphical presentations is essential for any successful economics textbook. Each graph and table has been carefully analyzed to ensure that the key concept being





represented stands out clearly. Brief descriptions are included under the graphs to provide guidance for students as they study the graphs. When actual data are used, complete references are provided so the student can easily locate the data source.

### Causation Chains

Instructors say this is one of their favorite features. Included under key graphs throughout the text, Causation Chains help students visualize complex economic relationships in terms of simple box diagrams that illustrate how one change causes another change.

### Summary

Each chapter ends with a brief point-by-point summary of the key concepts introduced in the chapter. This approach ensures understanding and aids in review by presenting important terms in a clear and concise format.

### Study Questions and Problems

The end-of-chapter questions and problems offer a variety of levels ranging from straightforward recall to thought-provoking applications. The answers to the odd-numbered questions and problems are in the back of the text. This feature gives students immediate feedback without requiring the instructor to check their work. The answers to the even-numbered questions are in the Instructor's Manual.



### Internet Activities

Look for the “On the Internet” logo at the end of each chapter. These activities are designed to spark student excitement about exploring the Internet to access economic data and then answer questions related to the content of the chapter.

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## SUPPLEMENTS PACKAGE DESIGNED FOR SUCCESS

### For Students

**Study Guide.** Prepared by the text author for each chapter, the Study Guide includes the chapter in a nutshell, key concept review, fill-in-the-blank exercises, step-by-step interpretation of the graph boxes, multiple-choice questions, true-false questions, and cross-word puzzles.

### For Instructors

**Instructor's Manual.** This manual, prepared by Douglas Copeland of Johnston Country Community College, provides valuable course assistance to the instructor. It includes chapter outlines, instructional objectives, critical thinking/group discussion questions, teaching notes, and answers to the “Analyze the Issue” questions and even-numbered questions and problems presented in each chapter. It also features transparency masters for figures and tables from the text and a multimedia guide for selected economics videos.



**Test Bank.** Prepared by the text author, the Test Bank includes about 1,200 multiple-choice and true-false questions. Questions have been thoroughly tested in the classroom by the author and classified by topic and degree of difficulty.

**WESTEST 3.2 Computerized Testing.** This program runs on IBM PCs and compatibles. WESTEST lets you edit questions and print graphs and modify exams quickly and easily.

**Transparency Acetates.** Key figures and tables from the text are available to use in your classroom presentations.

**Economics Video Library.** Thought provoking real-world current events come to life in your classroom through exclusive economics videos. Instructors may contact their South-Western sales representative for details on existing and upcoming videos.

**PowerPoint Presentation Package.** This state-of-the-art multimedia presentation software provides instructors with visual support in the classroom. The presentations contain key figures from the textbook to enhance your lectures. Instructors who have access to the PowerPoint software can edit the PowerPoint presentations or can create their own exciting presentations that include text, graphics, animation, and sound.

## ■ For Students and Instructors

**Tucker's Web Site.** This one-stop site provides updates to the text, teaching and learning resources, and e-mail link to the author. Go to <http://tucker/swcollege.com/> to visit the Tucker Economics Web Site.

## ■ Other South-Western Products Available for Course Enhancement

**Economics Tutorial Software for Windows.** This assessment and tutorial program, designed for *Economics for Today*, the principles text by Irvin Tucker, allows students to interact electronically through a series of modules covering real-world core macro and micro topics. The software guides students through quizzes and graphical modules, all derived from text material, and requires students to create and interact with key graphs.

**International Economics Issues Reader.** This reader, which also accompanies *Economics for Today* by Irvin Tucker, is prepared by Peter Schwarz of UNC Charlotte and contains a collection of current articles on global economics topics. Each article is selected to critically examine economics principles that affect people's daily lives in a global economy.

**Understanding and Using the Internet.** Many students are intrigued by the Internet, but do not know how to start. This guide, prepared by Bruce J. McLaren, is a brief 200-page practical guide that explains the "nuts and bolts" to students who are accessing the Internet.

**Economics Alive! CD-ROM** by Richard Cebula, Willie Benton, and John McLeod. This interactive CD-ROM with captivating 3D-animation puts economic principles into motion. Visit the Economics Alive! web site (<http://econalive.swcollege.com/>) for more details.





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