

# by Design

## Principles and Issues



ROBERT A. COLLINGE • RONALD M. AYERS

# *Economics by Design:*

Principles and Issues

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*To Mary, Mom, Dad, and my students, for their insights  
and encouragement.*

*RAC*

*To my mother and father, my former professors at the  
University of New Orleans and Tulane University, and the  
ever-patient Coco.*

*RMA*

# Navigator's Guide

## A Quick Reference to the Modular Layout of *Economics by Design*

- Easy-to-use modular chapter layout providing an abundance of material for maximum flexibility in picking and choosing topics and level of coverage.
- Fifteen chapters, each containing three learning modules.
- Lively yet concise presentation of basic economic principles in TRAVELING THE ECONOMICS EXPRESSWAY modules—includes numerous brief applications and examples to engage student interest.
- Wide-ranging, in-depth discussion of economic issues in EXPLORING ISSUES modules—choose from two Explorations per chapter to apply chapter principles.
- Selected principles extended and developed in MASTERING ROADSIDE CHALLENGES modules—choose from two Challenges per chapter to further the formation of economic proficiencies.

# Preface

## *Substance, Access, Interest—*

These are the goals of *Economics by Design: Principles and Issues*. The text is appropriate for an issues-oriented course that teaches essential economic principles in either one or two terms. *Economics by Design* strives for a clear, crisp, and accurate presentation of the central components of mainstream economic theory, along with issues prominent in today's world.

The text is designed in a unique modular format that allows a choice of principles and issues to cover. The fifteen chapters, each with three learning modules, offer a plentiful array of material to allow instructors who teach the one-term course to customize their courses—emphasizing essentials or issues, as desired. Using *Economics by Design* as the primary text in a two-term micro-macro sequence allows the instructor to comfortably intersperse theory and application in a manner that traditional nonmodular principles texts do not allow.

*Economics by Design* motivates learning and promotes retention by systematically combining up-to-date theory and application. The material meets high standards of conceptual rigor, but is easy to grasp because of the intuitive, application-oriented manner in which it is presented. At all times, *Economics by Design* strives to keep the presentation accessible and interesting.

## *Economics by Design Is Flexible and User-Friendly*

With a conversational style attractive to today's diverse student body, *Economics by Design* motivates readers to learn what they *need* to know and uncover what they might *want* to know. This approach is founded in the age of interactive information—it places the user at the controls.

The user can select the material to be covered, along with its sequence and degree of depth. *Economics by Design* offers the casual reader an opportunity to get up to speed quickly in the topic areas he or she chooses. While appropriate for a terminal survey/

issues course in economics, this approach also allows the flexibility needed for a one-term principles course. *Economics by Design* can thus prepare students for additional courses at advanced levels, up to and including the pre-MBA level.

## *Get behind the Wheel, . . .*

*Economics by Design* is an information highway, beckoning the reader into a journey of economic discovery. This is an open road with multiple access ramps, broad vistas, rest stops, and challenges along the way. The reader has the option to speed from start to finish or to explore particular interests more thoroughly. The flexibility of this framework allows the reader or instructor the option to navigate a personally chosen course.

Each chapter in *Economics by Design* is composed of three learning modules: Traveling the Economics Expressway, Exploring Issues, and Mastering Roadside Challenges. The first two modules cover essential principles and issues, respectively. The third module is typically more advanced and assumes familiarity with the material covered in the Expressway module.

## *. . . Turn the Key, and Go!*

The first module, Traveling the Economics Expressway, commences with the symbolic icon of car keys. The goal in this module is to provide novices with “key” concepts in a concise and engaging manner that allows them to get up to speed quickly in their study of economics. The user will become familiar with straightforward graphical analysis. However, complex graphs and equations that would slow the reader’s progress are avoided.

Readers who wish to cover the basics quickly might stop when their journey on the Expressway is over. If limited time is a problem, instructors might wish to assign only this module in particular chapters. The result will be an ability to analyze and understand the subject when it is encountered in person, on the news, or in other courses.

## *Explore Issues*

The second module in each chapter consists of two Explorations, denoted by the icon of a road that beckons the explorer forward. Explorations offer an opportunity to examine various dimensions of economic issues, including the ethical dimensions currently emphasized by accrediting bodies. These investigations provide a refreshing change of pace, giving readers the option to venture off the main road and explore the economic landscape. Sometimes the second Exploration is an educational short story. Because educational fiction is an effective pedagogical technique that promotes interest and retention, seven of the thirty Explorations take this form.

Explorations invite the reader to ponder the application of economic analysis to is-

sues of the day. The reader will find that economics is no irrelevant tome of theory, but rather is active and ongoing. The presence of Explorations integrated into their appropriate chapters eliminates the need to assign a separate readings book or to place articles on reserve. Explorations enhance students' abilities to retain and apply the theoretical material in the chapter.

## *Prepare to Be Challenged!*

The final module in each chapter is entitled Mastering Roadside Challenges. Challenges, identified by an icon showing a rock climber working his or her way up a difficult cliff, allow students to hone analytical or other skills that relate to the subject of the chapter. The Challenges draw students into the practice of economics and would be especially appropriate in the one- or two-term principles class or an honors survey class. As with the Explorations, instructors can assign or omit Challenges as they wish. Students who work through the Challenges will possess a solid foundation for intermediate-level study in economics.

## *Economics by Design offers a Superior Organization*

*Economics by Design* surpasses other texts by simultaneously emphasizing quality in content, writing, and pedagogy. Some one-term texts wander from issue to issue with little apparent organization, offering no more than a scattershot of principles along the way. While courses using such texts may seem compelling at the time, students leave without a systematic grounding in economic fundamentals. Without a solid foundation in essential economic principles, students do not learn to “think economics” and thus find it difficult to apply economic concepts in the future.

Other one-term texts go to the opposite extreme, with so much emphasis on the dry development of theory that their fragmentary sprinklings of applications do little to captivate student interests. The instructor who seeks to provide this learning stimulus with outside readings is burdened with the task of identifying appropriate readings, tracking them down in the library, complying with copyright laws, and then integrating them with the principles.

In contrast to one-term texts, two-term principles texts tend to be weighted down with excess detail that is irrelevant for most students. Through concise writing and the elimination of peripheral topics, *Economics by Design* avoids this problem. This text offers ample material for a two-term sequence that covers economic principles in greater depth than the one-term course while also stressing the relevance of economics to issues of the day.

Table P-1 identifies possible course designs for five alternative courses. The table refers to the three modules: **A.** Economics Expressway; **B.** Exploring Issues (two Explorations per chapter); **C.** Roadside Challenges (two per chapter).



**TABLE P-1** *Possible Course Designs for Single-Term Courses*

Chapters	Survey/Issues	Principles	Pre-MBA Principles	Micro Principles	Macro Principles
1 Roadmap for Economics	A,B	A,C	A,B,C	A,B,C	A,B,C
2 Production, Growth, and Trade	A,B	A,C	A,B,C	A,B,C	A,B,C
3 Market Prices: Supply and Demand	A,B	A,C	A,B,C	A,B,C	A,B,C
4 Efficiency and Political Prices	A,B	A,C	A,B,C	A,B,C	
5 Into the International Marketplace	A,B	A,C	A,B,C	A,B,C	A,B,C
6 The Firm	A,B	A,C	A,B,C	A,B,C	
7 Market Models	A,B	A,C	A,B,C	A,B,C	
8 Income from Labor and Human Capital	A,B	A,C	A,B,C	A,B,C	
9 Government's Role in Production	A,B	A,C	A,B,C	A,B,C	
10 Taxation and Public Choice	A,B	A,C	A,B,C	A,B,C	A,B,C
11 Measuring the Macroeconomy	A,B	A,C	A,B,C		A,B,C
12 Employment, Output, and Fiscal Policy	A,B	A,C	A,B,C		A,B,C
13 Money, Banking, and Monetary Policy	A,B	A,C	A,B,C		A,B,C
14 Policy for the Long Run	A,B	A,C	A,B,C		A,B,C
15 Global Economic Themes	A,B			A,B,C	A,B,C
Discretionary Additions	Elements of C	Elements of B			
Discretionary Deletions	Elements of B	Elements of C	Elements of B	Elements of A, B, C	Elements of A, B, C

Note: Some instructors teaching the one-term principles or survey/issues course may wish to delete certain chapters entirely, especially if they desire a deeper coverage of the topics in the remaining chapters. To emphasize issues, instructors have the option of eliminating various Expressways while still covering the Explorations that follow. This approach would typically require the instructor to provide a limited amount of background material.

## *With Integrated Coverage of International Topics, . . .*

Internationally oriented material is woven throughout *Economics by Design*. In recognition that markets are global in scope, a full chapter on the international economy is introduced in the first third of the book. This chapter is written so that it can be covered at any point later in the course, if desired. In addition, internationally oriented issues and principles are brought up in context wherever appropriate. The result is that coverage of

issues and principles relating to international trade and finance recurs throughout the book.

## *Economics by Design Is Complete and Self-Contained—*

*Economics by Design* offers consistent pedagogical aids to speed the learning process. For example, graphs are captioned with concise, self-contained explanations to reduce back-and-forth page flipping. In addition, terminology has always been a **barrier to entry** into the field of economics. In order to surmount this barrier, each significant new term is in color (witness the preceding sentence), as are significant other terms that have been mentioned peripherally in earlier chapters. Where possible, the meaning of terms is made clear in context, so that the pace of conceptual learning is not obstructed. A list of selected terms—those colored in the text—is included at the end of each chapter. Definitions of all selected terms are then compiled in a glossary at the end of the book. If a term is of secondary importance, it is italicized and not designated as a selected term.

Each chapter of *Economics by Design* concludes with Study by Design, a concise workbook that provides two ways to study. The first is grounded in the recognition that today's students are busy. Some studying must be done at odd moments, such as on the bus or over a quick cup of coffee between classes. To facilitate this process, Study by Design commences with a section called *SpeedStudy*, a speedy review and self-test that students consistently report to be a very useful learning aid. This self-test encourages students to begin the process of evaluating their level of understanding and helps them to quickly bring to light any weaknesses in their learning.

*SpeedStudy* is followed by The MasterMind, which is intended for longer study sessions in which the student's goal is to master the material in the chapter. Included in this section are thought questions, problems, and a multiple-choice self-test. Study by Design concludes with detailed suggestions for possible term papers. These suggestions encourage students to investigate economic issues on their own or at the discretion of the instructor.

*Economics by Design* offers a full complement of ancillary materials, including a study guide, printed test bank, computerized test bank, instructor's manual with lecture notes, transparencies, and the ABC News/Prentice Hall Video Library. In contrast to other texts, the authors of *Economics by Design* have personally composed the study guide, test bank of over 3,500 questions, and instructor's manual, which provides consistency in writing style and coverage between the text and the questions, notes, and other materials in these ancillaries.

## *Conventional and Innovative at the Same Time*

*Economics by Design* offers enhanced adoptability, to make the tasks involved in class preparation and teaching as easy as possible for instructors. Preparing a course outline with a text that presents a radically different arrangement of topics would take up too much of a busy instructor's valuable time. To promote the efficient use of preparation

time, topics are both familiar and up-to-date. The material is also arranged in the conventional micro-first fashion. Teachers who adopt *Economics by Design* will find that, with minimal rearranging and rewriting of their notes, they can teach in the manner they find comfortable. Flexibility, modern content, currency of the issues, and an engaging style are the advantages built into *Economics by Design*.

## A World of Thanks!

Our debts are many. To start, we would like to thank the economics profession, past and present, for putting together the rich body of economic theory from which we draw. In a text of this sort, the vast majority of the individuals responsible for developing these economic ideas must inevitably go uncited. Still, without their anonymous contributions, this text could not have been written.

More personally, our thanks go to the many professional colleagues and students who have shared their thoughts along the way. We have adopted many suggestions at the behest of our students. Their input has been extensive because, in whole or in part, *Economics by Design* has been class-tested at our university for over two years. Class-testing occurred in multiple sections of each of three different courses: the one-term survey/issues course, the two-term principles course, and the one-term micro-macro principles course for entering MBA students without prior exposure to economics.

We would also like to thank the hard-working people at Prentice Hall for bringing a complete product to market. Special thanks go to Leah Jewell, who gave us room to run with creative ideas on presenting economic fundamentals and issues. The involvement of Leah, Louise Rothman and Carol Burgett at every step of the way has always been constructive. We also thank Kristin Kaiser, editorial assistant, and Sandra Gormley of University Graphics.

We are grateful for the detailed, thought-provoking comments and suggestions of this text's many reviewers. Their input has been incorporated throughout to improve the quality of *Economics by Design*. Any deficiencies that remain are, of course, the responsibility of the other author . . . whichever one of us that may be! The following reviewers have assisted us: George Beardsley, *California Polytechnic State University*; John Conant, *Indiana State University*; Mousumi Duttaray, *Indiana University*; Dan Fuller, *Weber State University*; Anthony Greco, *University of Southwestern Louisiana*; Jan Hansen, *University of Wisconsin*; Matthew Hyle, *Winona State University*; Rose Kilburn, *Modesto Junior College*; Steven Lile, *Western Kentucky University*; Jose Mendez, *Arizona State University*; Wayne Plumly, *Valdosta State University*; David Sollars, *Auburn University at Montgomery*; Darlene Voeltz, *Rochester Community College*; Richard Welch, *University of Texas—San Antonio*; Jim Wheeler, *Vance Granville Community College*; and Larry Wilson, *Sandhills Community College*.

R.A.C.  
R.M.A.

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