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Economics

经济学经典教材·核心课系列

Classics

经济学

原理 (微观部分)

Principles of
Economics

(英文版·第二版)

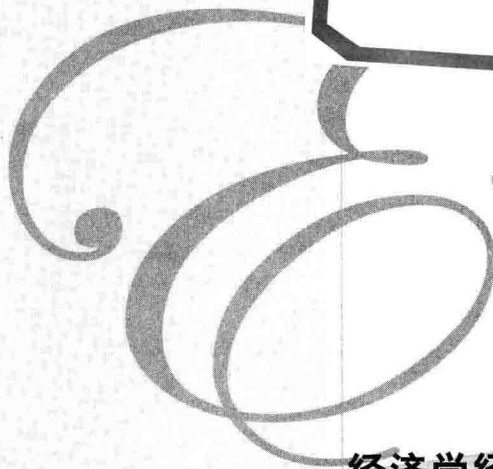
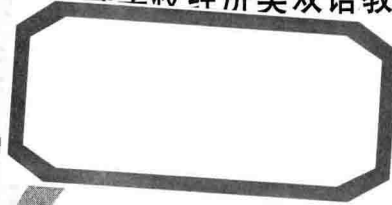
Brief Edition, 2e

罗伯特·H·弗兰克 (Robert H. Frank) 著
本·S·伯南克 (Ben S. Bernanke)

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常州大学图书馆藏
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出版说明

入世十年，我国已完全融入到经济全球化的浪潮中。党的十六大确立了“引进来，走出去”的发展战略，使得“国际化”复合型人才的需求不断增加。这就对我国一般本科院校多年来所采取的单一语言（母语）教学提出了严峻挑战，经济类专业双语教学改革迫在眉睫。

为配合高校经济类专业双语教学改革，中国人民大学出版社携手培生、麦格劳-希尔、圣智等众多国际知名出版公司，倾情打造了该套“经济类双语系列教材”，本套教材包括：经济管理类专业开设的核心课程、经济学专业开设的主干课程以及财政金融专业和国际贸易专业的主要课程。所选教材均为国外最优秀的本科层次经济类教材。

我们在组织、引进和出版该系列教材的过程中，严把质量关。聘请国内著名经济学家、学者以及一线授课教师审核国外原版教材，广泛听取意见，努力做到把国外真正高水平的适合国内实际教学需求的优秀教材引进来，供国内广大师生参考、研究和学习。

本系列教材主要有以下特点：

第一，教材体系设计完整。本系列教材全部为国外知名出版公司的优秀教材，涵盖了经济类专业的所有主要课程。

第二，保持英文原版教材特色。本系列教材依据国内实际教学需要以及广泛的适应性，部分对原版教材进行了全文影印，部分在保持原版教材体系结构和内容特色的基础上进行了适当删减。

第三，内容紧扣学科前沿。本系列教材在原著选择上紧扣国外教学前沿，基本上都是国外最流行教材的最新版本。

第四，篇幅合理、价格适中。本系列教材一方面在内容和篇幅上很好地适应了国内双语教学的实际需要，另一方面，低定价策略又避免了国外原版图书高额的购买费用。

第五，提供强大的教学支持。依托国外知名出版公司的资源，本系列教材为教师提供丰富的配套教辅资源，如教师手册、PPT课堂演示文稿、试题库等，并配有内容丰富的网络资源，使教学更为便利。

本系列教材既适合高等院校经济类专业的本科教学使用，也适合从事经济类工作和研究的广大从业者阅读和学习。我们在选书、改编过程中虽然全面听取了专家、学者和教师的意见，努力做到满足广大读者的需求，但由于各教材的作者所处的政治、经济和文化背景不同，书中内容仍可能有不妥之处，我们真诚希望广大读者提出宝贵意见和建议，以便我们在以后的版本中不断改进和完善。

中国人民大学出版社

Although many millions of dollars are spent each year on introductory economics instruction in American colleges and universities, the return on this investment has been disturbingly low. Studies have shown, for example, that several months after having taken a principles of economics course, former students are no better able to answer simple economic questions than others who never even took the course. Most students, it seems, leave our introductory courses without having learned even the most important basic economic principles.

The problem, in our view, is that these courses almost always try to teach students far too much. In the process, really important ideas get little more coverage than minor ones, and everything ends up going by in a blur. Many instructors ask themselves, “How much can I cover today?” when instead they should be asking, “How much can my students absorb?”

Our textbook grew out of our conviction that students will learn far more if we attempt to cover much less, and this *Brief Edition* only further supports our goal. Our basic premise is that a small number of basic principles do most of the heavy lifting in economics, and that if we focus narrowly and repeatedly on those principles, students can actually master them in just a single semester.

The enthusiastic reactions of users of the full principles books we author affirm the validity of this premise. We have constructed *Principles of Economics, Brief Edition* to support a concise approach to teaching economics by focusing on the most essential information. Avoiding excessive reliance on formal mathematical derivations, we present concepts intuitively through examples drawn from familiar contexts. We rely throughout on a well-articulated list of seven core principles, which we reinforce repeatedly by illustrating and applying each principle in numerous contexts. We ask students periodically to apply these principles themselves to answer related questions, exercises, and problems.

Throughout this process, we encourage students to become “economic naturalists,” people who employ basic economic principles to understand and explain what they observe in the world around them. An economic naturalist understands, for example, that infant safety seats are required in cars but not in airplanes because the marginal cost of space to accommodate these seats is typically zero in cars but often hundreds of dollars in airplanes. Scores of such examples are sprinkled

throughout the book. Each one, we believe, poses a question that should make any curious person eager to learn the answer. These examples stimulate interest while teaching students to see each feature of their economic landscape as the reflection of one or more of the core principles. Students talk about these examples with their friends and families. Learning economics is like learning a language. In each case, there is no substitute for actually speaking. By inducing students to speak economics, the economic naturalist examples serve this purpose.

For those who would like to learn more about the role of examples in learning economics, Bob Frank’s lecture on this topic is posted on YouTube’s “Authors @ Google” series (www.youtube.com/watch?v=QalNVxeIKEE or search “Authors @ Google Robert Frank”).

KEY THEMES AND FEATURES

An Emphasis on Seven Core Principles

As noted, a few core principles do most of the work in economics. By focusing almost exclusively on these principles, the text assures that students leave the course with a deep mastery of them. In contrast, traditional encyclopedic texts so overwhelm students with detail that they often leave the course with little useful working knowledge at all.

- **The Scarcity Principle:** Having more of one good thing usually means having less of another.
- **The Cost-Benefit Principle:** Take no action unless its marginal benefit is at least as great as its marginal cost.
- **The Incentive Principle:** Cost-benefit comparisons are relevant not only for identifying the decisions that rational people should make, but also for predicting the actual decisions they do make.
- **The Principle of Comparative Advantage:** Everyone does best when each concentrates on the activity for which he or she is relatively most productive.
- **The Principle of Increasing Opportunity Cost:** Use the resources with the lowest opportunity cost before turning to those with higher opportunity costs.
- **The Efficiency Principle:** Efficiency is an important social goal because when the economic pie grows larger, everyone can have a larger slice.

- **The Equilibrium Principle:** A market in equilibrium leaves no unexploited opportunities for individuals but may not exploit all gains achievable through collective action.

Economic Naturalism

Our ultimate goal is to produce economic naturalists—people who see each human action as the result of an implicit or explicit cost-benefit calculation. The economic naturalist sees mundane details of ordinary existence in a new light and becomes actively engaged in the attempt to understand them. Some representative examples:

In Micro:

- Why do movie theatres offer discount tickets to students?
- Why do we often see convenience stores located on adjacent street corners?
- Why do supermarket checkout lines all tend to be roughly the same length?

In Macro:

- Why has investment in computers increased so much in recent decades?
- Why does news of inflation hurt the stock market?
- Why do almost all countries provide free public education?

Active Learning Stressed

The only way to learn to hit an overhead smash in tennis is through repeated practice. The same is true for learning economics. Accordingly, we consistently introduce new ideas in the context of simple examples and then follow them with applications showing how they work in familiar settings. At frequent intervals, we pose concept checks that both test and reinforce the understanding of these ideas. The end-of-chapter questions and problems are carefully crafted to help students internalize and extend core concepts. Experience with earlier editions confirms that this approach really does prepare students to apply basic economic principles to solve economic puzzles drawn from the real world.

Modern Microeconomics

- *Economic surplus*, introduced in Chapter 1 and employed repeatedly thereafter, is more fully devel-

oped here than in any other text. This concept underlies the argument for economic efficiency as an important social goal. Rather than speak of trade-offs between efficiency and other goals, we stress that maximizing economic surplus facilitates the achievement of *all* goals.

- *Common decision pitfalls* identified by 2002 Nobel Laureate Daniel Kahneman and others—such as the tendency to ignore implicit costs, the tendency not to ignore sunk costs, and the tendency to confuse average and marginal costs and benefits—are introduced early in Chapter 1 and invoked repeatedly in subsequent chapters.
- There is perhaps no more exciting toolkit for the economic naturalist than a few *principles of elementary game theory*. In Chapter 8, we show how these principles enable students to answer a variety of strategic questions that arise in the marketplace and everyday life. We believe that the insights of the Nobel Laureate Ronald Coase are indispensable for understanding a host of familiar laws, customs, and social norms. In Chapter 9 we show how such devices function to minimize misallocations that result from externalities.

Modern Macroeconomics

The *severe economic downturn* that began in 2008 has renewed interest in cyclical fluctuations without challenging the importance of such long-run issues as growth, productivity, the evolution of real wages, and capital formation. Our treatment of these issues is organized as follows:

- A three-chapter treatment of *long-run issues*, followed by a modern treatment of *short-term fluctuations and stabilization policy*, emphasizing the important distinction between short- and long-run behavior of the economy.
- *Designed to allow for flexible treatment of topics*, these chapters are written so that short-run material (Chapters 17–20) can be used before long-run material (Chapters 14–16) with no loss of continuity.
- This book places a heavy emphasis on *globalization*, starting with an analysis of its effects on real wage inequality and progressing to such issues as the benefits of trade, the causes and effects of protectionism, the role of capital flows in domestic capital formation, and the links between exchange rates and monetary policy.

ORGANIZATION OF THE BRIEF SECOND EDITION

In Microeconomics

- **More and clearer emphasis on the core principles:** If we asked a thousand economists to provide their own versions of the most important economic principles, we'd get a thousand different lists. Yet to dwell on their differences would be to miss their essential similarities. It is less important to have exactly the best short list of principles than it is to use some well-thought-out list of this sort.
- **Outsourcing discussion supports comparative advantage material:** In Chapter 2, students will see a full-spectrum view of production possibilities and the realities economies face considering outsourcing decisions.
- **Strong connection drawn between core concepts:** Chapter 6 makes strong connections among market equilibrium and efficiency, the cost of preventing price adjustments, economic profit, and the Invisible Hand theory.
- **Using economics to help make policy decisions:** Chapter 10 features important policy decisions and uses economics to sort out the best options. Health care, environmental regulation, international trade, and income redistribution are all discussed in this relevant and interesting chapter.

In Macroeconomics

- **Flexible, modular presentation:** Part 5, "Macroeconomics: Data and Issues," is a self-contained group of chapters that covers measurement issues. This allows instructors to proceed to either the long run (Part 6, "The Economy in the Long Run") or the short run (Part 7, "The Economy in the Short Run") first with no loss of continuity.
- **Thorough discussion of labor markets:** Labor market trends in employment, wages, and unemployment are covered together in Chapter 13 to help students fully understand the connections between all three topics.
- **Strong connection drawn between financial markets and money:** Chapter 16 brings together information on financial intermediaries, bond and stock markets, and money so that students can make the connections among stock markets, bond markets, commercial banks, and money.

- **Clear discussion of output gaps and Okun's Law:** The formulas for the output gap and Okun's Law are now written out explicitly to help students apply these concepts to real-world data.
- **The simple Keynesian model:** We present the simple Keynesian model through examples that are developed both graphically and numerically.
- **Monetary Policy coverage organization:** The institutional details of the Federal Reserve are discussed at the beginning of Chapter 19, followed by the effects of Federal Reserve policy on planned aggregate expenditure. The money market is also discussed, but instructors who wish to skip this material can easily do so. In addition, the effects of monetary policy are summarized using logic chains that students can easily understand.
- **The presentation of Aggregate Demand and Aggregate Supply:** Chapter 20 has been completely rewritten. The model is now the standard AD/AS model with the price level on the vertical axis. A coherent, intuitive derivation of the AD curve and AS curve is also presented.
- **Flexible coverage of international economics:** Chapter 21 is a self-contained discussion of exchange rates that can be used whenever an instructor thinks it best to introduce this important subject. This chapter also integrates the discussion of trade and capital flows so that students see that the balance of trade and net capital inflows are two sides of the same issue.

CHANGES IN THE BRIEF SECOND EDITION

Changes Common to all Chapters

In all chapters, the narrative has been tightened and shortened slightly. Many of the examples have been updated, with a focus on examples that connect to current events such as the financial crisis of 2008 and the Great Recession of 2007–2009. The illustrations that accompany the economic naturalist examples have been enlarged significantly. A majority of the appendices have been removed. Data has been updated throughout.

Chapter-by-Chapter Changes

- **Chapters 1–3:** Content and data updates have been made as needed.
- **Chapter 4:** Content from Chapters 4 and 5 of the previous edition has been combined to form this new chapter entitled Demand and Elasticity.

Deleted from the previous edition, Chapter 4 was the section on elasticity of supply, which has now been moved to Chapter 5 of this new edition. Deleted from the previous edition, Chapter 5 was the section on the rational spending rule, and it no longer appears in this book.

- **Chapter 5:** This is Chapter 6 from the previous edition. The material on cost curves has been revised substantially to place emphasis on marginal cost, which is by far the most important cost concept. Material on supply elasticity from Chapter 4 of the previous edition has been incorporated into this chapter.
- **Chapter 6:** This is Chapter 7 from the previous edition. The material on the invisible hand in this chapter has been substantially revised to accommodate the simplified treatment of costs in Chapter 5.
- **Chapter 7:** This is Chapter 8 from the previous edition. Material in this chapter has been revised to accommodate the simplified treatment of costs in Chapter 5. Content and data updates have been added as needed.
- **Chapter 8:** This is Chapter 9 from the previous edition. Content and data updates have been added as needed.
- **Chapter 9:** This is Chapter 10 from the previous edition. Content and data updates have been added as needed.
- **Chapter 10:** This is Chapter 11 from the previous edition.
- **Chapter 11:** This is Chapter 12 from the previous edition. The Economic Naturalist 12.1 example was removed to help keep focus on the basic definition of GDP. Box 12.1 (chain weighting) was deleted to simplify the presentation of real GDP.
- **Chapter 12:** This is Chapter 13 from the previous edition. A new Economic Naturalist example on core inflation, an increasing popular concept that is commonly discussed in the media, has been added.
- **Chapter 13:** This is Chapter 14 from the previous edition. The discussion of European unemployment has been removed. Improved and timely coverage on the duration of unemployment is featured, as unemployment durations have risen sharply in the current recession.
- **Chapter 14:** This is Chapter 15 from the previous edition. Box 15.1 (production functions) has been removed to keep presentation of growth determinants verbal and intuitive. This chapter has been rearranged so that the costs of economic growth and possible limits to growth are discussed together as there is much overlap (e.g., pollution is a both a cost of economic growth and a potential limit to growth.)
- **Chapter 15:** This is Chapter 16 from the previous edition. The connections between saving, capital gains/losses and wealth have been tightened. This is important because capital gains/losses due to rising and falling house prices were an important determinant of both household saving (causing it to fall when house prices rose and rise when they declined) and wealth.
- **Chapter 16:** This is Chapter 17 from the previous edition. A section on hyperinflations and their connection to the quantity theory of money has been added. Box 17.1 on percentage changes was deleted; this keeps the quantity theory of money at an intuitive level.
- **Chapter 17:** This is Chapter 18 from the previous edition. The entire chapter is now focused on recent (2001 and 2007–2009) recessions. The term “business cycle” is now an important part of the chapter. This makes it possible to relate the output gap, cyclical unemployment, and Okun’s law to the common question, “how do we measure business cycles?” Graphs that show potential output and the output gap have been added to supply concrete examples. The formulas for calculating the output gap and Okun’s Law are written out explicitly. In earlier editions, students had to figure them out from the context, sowing confusion about the concept.
- **Chapter 18:** This is Chapter 19 from the previous edition and is now entitled Spending, Output and Fiscal Policy. Examples focus on recent (2001 and 2007–2009) recessions so students can make connections between abstract concepts and current events. Removed Box 19.1 (on J.M. Keynes) and integrated Box 19.2 (Key assumption of the Keynesian model) into the text. New material has been written that place fiscal policy in the larger context of stabilization policy to help provide clarity in distinguishing among monetary policy, fiscal policy, and stabilization policy.
- **Chapter 19:** This is Chapter 20 from the previous edition and is now entitled Monetary Policy and the Federal Reserve. The discussion of monetary policy rules has been removed. A discussion of new Fed policy, payment of interest on reserves,

has been added. Important because this is a tool Ben Bernanke has identified as crucial to keeping inflation in check.

- **Chapter 20:** This is Chapter 21 from the previous edition, but it has been completely rewritten and is now entitled Aggregate Demand, Aggregate Supply, and Stabilization Policy. The model is now the standard AD/AS model with the price level on the vertical axis. Concepts learned in Chapters 18 and 19 are used provide a coherent, intuitive derivation of the AD curve. Assumptions and examples regarding the price-setting behavior of firms that are used throughout Chapters 17–19 are the basis for the AS curve. AD/AS analysis is focused on the causes of business cycles and how fiscal and monetary policy can be used to deal with them. Applications of fiscal and monetary policy during the 2007–2009 recession are integrated throughout the chapter so general concepts can be connected with current events.
- **Chapter 21:** This is Chapter 22 from the previous edition. The discussion of fixed exchange rates has been eliminated.

ORGANIZED LEARNING IN THE BRIEF SECOND EDITION

Chapter Learning Objectives

Students and professors can be confident that the organization of each chapter surrounds common themes outlined by five to seven learning objectives listed on the first page of each chapter. These objectives, along with AACSB and Bloom's Taxonomy Learning Categories, are connected to all Test Bank questions and end-of-chapter material to offer a comprehensive, thorough teaching and learning experience.

Assurance of Learning Ready

Many educational institutions today are focused on the notion of assurance of learning, an important element of some accreditation standards. *Principles of Economics, Brief Edition, 2/e* is designed specifically to support your assurance of learning initiatives with a simple, yet powerful, solution.

You can use our test bank software, EZTest, to easily query for Learning Objectives that directly relate to the objectives for your course. You can then use the reporting features of EZTest to aggregate student results in a similar fashion, making the collection and presentation of assurance of learning data simple and easy.

AACSB Statement

The McGraw-Hill Companies is a proud corporate member of AACSB International. Recognizing the importance and value of AACSB accreditation, the authors of *Principles of Economics, Brief Edition, 2/e* have sought to recognize the curricula guidelines detailed in AACSB standards for business accreditation by connecting questions in the test bank and end-of-chapter material to the general knowledge and skill guidelines found in the AACSB standards. It is important to note that the statements contained in *Principles of Economics, Brief Edition, 2/e* are provided only as a guide for the users of this text.

A NOTE ON THE WRITING OF THIS EDITION

Ben Bernanke was sworn in on February 1, 2006, as Chairman and a member of the Board of Governors of the Federal Reserve System, a position to which he was reappointed in January 2010. From June 2005 until January 2006, he served as chairman of the President's Council of Economic Advisers. These positions have allowed him to play an active role in making U.S. economic policy, but the rules of government service have restricted his ability to participate in the preparation of the Brief Editions.

Fortunately, we were able to enlist the aid of Louis D. Johnston of the College of Saint Benedict | Saint John's University to take the lead in creating the macro portion of the Brief Edition, 2/e. Ben Bernanke and Robert Frank express their deep gratitude to Louis for the energy and creativity he has brought to his work on the book. He has created a great tool for students and professors.

SUPPLEMENTS FOR THE INSTRUCTOR

The following ancillaries are available for quick download and convenient access via the textbook's Web site at www.mhhe.com/fbbrief2e and are password protected for security.

Instructor's Manual

Prepared by Per Norander of Missouri State University, this expanded manual features general topics such as Using the Web Site, Economic Education Resources, and Innovative Ideas. Additionally, each chapter will also include: an Overview, Concepts Students Should Master, Teaching Tips/Student Stumbling Blocks, Additional Economic Naturalist Examples, In-Class and Web Activities, an Annotated Chapter Outline, and Answers to Textbook Problems.

Test Banks

Prepared by Kate Krause of the University of New Mexico [micro] and Paul Fisher of Henry Ford Community College [macro], each manual contains nearly 4,000 questions categorized by chapter learning objectives, AACSB learning categories, Bloom's Taxonomy objectives, and level of difficulty.

Computerized Test Bank

McGraw-Hill's EZ Test is a flexible and easy-to-use electronic testing program. The program allows you to create tests from book-specific items. It accommodates a wide range of question types and you can add your own questions. Multiple versions of the test can be created and any test can be exported for use with course management systems such as WebCT, BlackBoard or Page Out. EZ Test Online is a new service and gives you a place to easily administer your EZ Test-created exams and quizzes online. The program is available for Windows and Macintosh environments.

PowerPoints

Prepared by Nora Underwood of the University of Central Florida, these slides contain a detailed, chapter-by-chapter review of the important ideas presented in the textbook, accompanied by animated graphs and slide notes. You can edit, print, or rearrange the slides to fit the needs of your course.

Customizable Micro Lecture Notes and PowerPoints

One of the biggest hurdles to an instructor considering changing textbooks is the prospect of having to prepare new lecture notes and slides. For the microeconomics chapters, this hurdle no longer exists. A full set of lecture notes for principles of microeconomics, prepared by Bob Frank for his award-winning introductory microeconomics course at Cornell University, is available as Microsoft Word files that instructors are welcome to customize as they see fit. The challenge for any instructor is to reinforce the lessons of the text in lectures without generating student unrest by merely repeating what's in the book. These lecture notes address that challenge by constructing examples that run parallel to those presented in the book, yet are different from them in interesting contextual ways. Also available is a complete set of richly illustrated PowerPoint files to accompany these lecture notes. Instructors are also welcome to customize these files as they wish.

SUPPLEMENTS FOR THE STUDENT

Online Learning Center

www.mhhe.com/fbbrief2e

For students there are such useful features as the Glossary from the textbook, Graphing Exercises, a set of study PowerPoints, and practice quizzes.

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目 录

第一部分 导论

第一章 像经济学家一样思考	3
第二章 比较优势	35
第三章 供给和需求	59

第二部分 竞争和看不见的手

第四章 供给与弹性	95
第五章 完全竞争的供给	125
第六章 效率、交易和看不见的手	157

第三部分 不完全市场

第七章 垄断、寡头和垄断竞争	189
第八章 博弈和策略性行为	223
第九章 外部性与产权	251

第四部分 公共政策经济学

第十章 用经济学进行政策选择	281
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第五部分 宏观经济学：数据和问题

第十一章 支出、收入和 GDP	305
第十二章 通货膨胀和价格水平	329
第十三章 工资和失业	357

第六部分 长期经济

第十四章 经济增长	391
第十五章 储蓄、资本形成和金融市场	421
第十六章 货币、价格和金融体系	451

第七部分 短期经济

第十七章 短期波动	483
第十八章 消费、产出和财政政策	503
第十九章 货币政策与美联储	537
第二十章 总供给、总需求与稳定政策	569

第八部分 国际经济

第二十一章 汇率、国际贸易和资本流动	599
术语表	G-1

CONTENTS

PART I Introduction

Chapter 1 Thinking Like an Economist 3

Economics: Studying Choice in a World of Scarcity 4

Applying the Cost-Benefit Principle 5

Economic Surplus 6

Opportunity Cost 6

The Role of Economic Models 7

Three Important Decision Pitfalls 8

Pitfall 1: Measuring Costs and Benefits as Proportions Rather Than Absolute

Dollar Amounts 8

Pitfall 2: Ignoring Implicit Costs 9

Pitfall 3: Failure to Think at the Margin 10

Normative Economics versus Positive

Economics 15

Economics: Micro and Macro 15

The Approach of This Text 16

Economic Naturalism 16

THE ECONOMIC NATURALIST 1.1 17

THE ECONOMIC NATURALIST 1.2 18

THE ECONOMIC NATURALIST 1.3 18

Summary 19

Core Principles 19

Key Terms 20

Review Questions 20

Problems 20

Answers to Concept Checks 22

Appendix: Working with Equations, Graphs, and Tables 23

Chapter 2 Comparative Advantage 35

Exchange and Opportunity Cost 36

The Principle of Comparative Advantage 37

THE ECONOMIC NATURALIST 2.1 39

Sources of Comparative Advantage 40

THE ECONOMIC NATURALIST 2.2 40

Comparative Advantage and Production

Possibilities 41

The Production Possibilities Curve 41

How Individual Productivity Affects the Slope and Position of the PPC 44

The Gains from Specialization and Exchange 45

A Production Possibilities Curve for a Many-Person Economy 47

Factors That Shift the Economy's Production Possibilities Curve 49

Why Have Some Countries Been Slow to Specialize? 51

Can We Have Too Much Specialization? 52

Comparative Advantage and International Trade 52

THE ECONOMIC NATURALIST 2.3 52

Outsourcing 53

THE ECONOMIC NATURALIST 2.4 54

Summary 55

Core Principles 56

Key Terms 56

Review Questions 56

Problems 56

Answers to Concept Checks 58

Chapter 3 Supply and Demand 59

What, How, and for Whom? Central Planning versus the Market 61

Buyers and Sellers in Markets 62

The Demand Curve 62

The Supply Curve 64

Market Equilibrium 65

Rent Controls Reconsidered 69

Pizza Price Controls? 71

Predicting and Explaining Changes in Prices and Quantities 72

Shifts in Demand 73

THE ECONOMIC NATURALIST 3.1 75

Shifts in the Supply Curve 76

THE ECONOMIC NATURALIST 3.2 79

Four Simple Rules 80

THE ECONOMIC NATURALIST 3.3 82

Efficiency and Equilibrium 83

Cash on the Table 83

Smart for One, Dumb for All 84

Summary 86

Core Principles 87

Key Terms 87

Review Questions 87

Problems 87

Answers to Concept Checks 89

Appendix: The Algebra of Supply and Demand 91

PART 2 Competition and the Invisible Hand

Chapter 4 Demand and Elasticity 95

The Law of Demand 96

The Origins of Demand 96

Needs versus Wants 97

THE ECONOMIC NATURALIST 4.1 97

Applying the Law of Demand 98

Substitution at Work 98

THE ECONOMIC NATURALIST 4.2 98

THE ECONOMIC NATURALIST 4.3 99

THE ECONOMIC NATURALIST 4.4 100

The Importance of Income Differences 100

THE ECONOMIC NATURALIST 4.5 100

Individual and Market Demand Curves 101

Horizontal Addition 101

Demand and Consumer Surplus 102

Calculating Consumer Surplus 102

Elasticity 105

Price Elasticity of Demand 106

Price Elasticity Defined 106

Determinants of Price Elasticity of Demand 107

Some Representative Elasticity Estimates 108

Using Price Elasticity of Demand 109

THE ECONOMIC NATURALIST 4.6 109

THE ECONOMIC NATURALIST 4.7 110

A Graphical Interpretation of Price Elasticity 111

Price Elasticity Changes along a Straight-Line Demand Curve 113

Two Special Cases 114

Elasticity and Total Expenditure 115

Income Elasticity and Cross-Price Elasticity of Demand 119

Summary 120

Key Terms 121

Review Questions 121

Problems 121

Answers to Concept Checks 123

Chapter 5 Perfectly Competitive Supply 125

Thinking about Supply: The Importance of Opportunity Cost 126

Individual and Market Supply Curves 128

Profit-Maximizing Firms in Perfectly Competitive Markets 129

Profit Maximization 129

The Demand Curve Facing a Perfectly Competitive Firm 130

Production in the Short Run 131

Choosing Output to Maximize Profit 132

Price Equals Marginal Cost: The Seller's Supply Rule 135

Graphing Marginal Cost 135

The "Law" of Supply 138

Determinants of Supply Revisited 138

Technology 139

Input Prices 139

The Number of Suppliers 139

Expectations 139

Changes in Prices of Other Products 139

The Price Elasticity of Supply 140

Determinants of Supply Elasticity 142

THE ECONOMIC NATURALIST 5.1 144

Unique and Essential Inputs: The Ultimate Supply Bottleneck 146

Applying the Theory of Supply 146

THE ECONOMIC NATURALIST 5.2 147

Supply and Producer Surplus 149

Calculating Producer Surplus 149

Summary 150

Key Terms 151

Review Questions 151

Problems 152

Answers to Concept Checks 154

Chapter 6 Efficiency, Exchange, and the Invisible Hand in Action 157

The Central Role of Economic Profit 158

Three Types of Profit 158

The Invisible Hand Theory 161

Two Functions of Price 161

Responses to Profits and Losses 161

The Effect of Market Forces on Economic Profit 163

The Importance of Free Entry and Exit 164

Economic Rent versus Economic Profit 165

The Invisible Hand in Action 167

The Invisible Hand at the Supermarket and on the Freeway 167

THE ECONOMIC NATURALIST 6.1 167

The Invisible Hand and Cost-Saving Innovations 168

The Distinction between an Equilibrium and a Social Optimum 169

Smart for One, Dumb for All 170

THE ECONOMIC NATURALIST 6.2 170

Market Equilibrium and Efficiency 171

Efficiency Is Not the Only Goal 174

Why Efficiency Should Be the First Goal 174

The Cost of Preventing Price Adjustments 175

Price Ceilings 175

Price Subsidies 178

Summary 180

Key Terms 181

Review Questions 182

Problems 182

Answers to Concept Checks 184

PART 3 Market Imperfections

Chapter 7 Monopoly, Oligopoly, and Monopolistic Competition 189

Imperfect Competition 190

Different Forms of Imperfect Competition 190

The Essential Difference between Perfectly and Imperfectly Competitive Firms 192

Five Sources of Market Power 193

Exclusive Control over Important Inputs 193

Patents and Copyrights 193

Government Licenses or Franchises 193

Economies of Scale and Natural

Monopolies 194

Network Economies 194

Economies of Scale and the Importance of

Start-Up Costs 195

THE ECONOMIC NATURALIST 7.1 197

Profit Maximization for the Monopolist 198

Marginal Revenue for the Monopolist 198

The Monopolist's Profit-Maximizing

Decision Rule 200

Being a Monopolist Doesn't Guarantee an

Economic Profit 202

Why the Invisible Hand Breaks Down under Monopoly 203

Using Discounts to Expand the Market 205

Price Discrimination Defined 205

THE ECONOMIC NATURALIST 7.2 205

How Price Discrimination Affects

Output 206

The Hurdle Method of Price

Discrimination 209

Is Price Discrimination a Bad Thing? 211

Examples of Price Discrimination 212

THE ECONOMIC NATURALIST 7.3 213

Summary 214

Key Terms 214

Review Questions 215

Problems 215

Answers to Concept Checks 217

Appendix: The Algebra of Monopoly Profit

Maximization 221

Chapter 8 Games and Strategic Behavior 223

Using Game Theory to Analyze Strategic Decisions 224

The Three Elements of a Game 224

Nash Equilibrium 226

The Prisoner's Dilemma 228

The Original Prisoner's Dilemma 228

The Economics of Cartels 229

THE ECONOMIC NATURALIST 8.1 229

Tit-for-Tat and the Repeated Prisoner's Dilemma 232

THE ECONOMIC NATURALIST 8.2 233

THE ECONOMIC NATURALIST 8.3 234

Games in Which Timing Matters 235

Credible Threats and Promises 237

Monopolistic Competition When

Location Matters 238

THE ECONOMIC NATURALIST 8.4 239

Commitment Problems 240

The Strategic Role of Preferences 242

Are People Fundamentally Selfish? 243

Preferences as Solutions to Commitment Problems 243

Summary 245

Key Terms 245

Review Questions 245

Problems 246

Answers to Concept Checks 249

Chapter 9 Externalities and Property Rights 251

External Costs and Benefits 251

How Externalities Affect Resource

Allocation 252

How Do Externalities Affect Supply and Demand? 253

The Coase Theorem 255

Legal Remedies for Externalities 259

THE ECONOMIC NATURALIST 9.1 260

THE ECONOMIC NATURALIST 9.2 261

The Optimal Amount of Negative Externalities Is Not Zero 261

Compensatory Taxes and Subsidies 262

Property Rights and the Tragedy of the Commons 263

- The Problem of Unpriced Resources 264
- The Effect of Private Ownership 266
- When Private Ownership Is Impractical 267

THE ECONOMIC NATURALIST 9.3 267

THE ECONOMIC NATURALIST 9.4 268

Positional Externalities 269

- Payoffs That Depend on Relative Performance 269

THE ECONOMIC NATURALIST 9.5 269

- Positional Arms Races and Positional Arms Control Agreements 270
- Social Norms as Positional Arms Control Agreements 271

Summary 273

Key Terms 274

Review Questions 274

Problems 275

Answers to Concept Checks 277

PART 4 Economics of Public Policy

Chapter 10 Using Economics to Make Better Policy Choices 281

The Economics of Health Care 282

- The Case for Mandatory Immunization Laws 282

Explaining Rising Health Care Costs 283

- Designing a Solution 285
- The HMO Revolution 286

THE ECONOMIC NATURALIST 10.1 286

- Paying for Health Insurance 287

THE ECONOMIC NATURALIST 10.2 287

Using Price Incentives in Environmental Regulation 288

- Taxing Pollution 289
- Auctioning Pollution Permits 290

Overcoming Opposition to International Trade 292

Methods of Income Redistribution 294

- Welfare Payments and In-Kind Transfers 294
- Means-Tested Benefit Programs 295
- The Negative Income Tax 295
- Minimum Wages 296
- The Earned-Income Tax Credit 296
- Public Employment for the Poor 297
- A Combination of Methods 297

Summary 298

Key Terms 298

Review Questions 299

Problems 299

Answers to Concept Checks 301

PART

I

INTRODUCTION



As you begin the study of economics, perhaps the most important thing to realize is that economics is not a collection of settled facts, to be copied down and memorized. Mark Twain said that nothing is older than yesterday's newspaper, and the same can be said of yesterday's economic statistics. Indeed, the only prediction about the economy that can be made with confidence is that there will continue to be large, and largely unpredictable, changes.

If economics is not a set of durable facts, then what is it? Fundamentally, it is a way of thinking about the world. Over many years economists have developed some simple but widely applicable principles that are useful for understanding almost any economic situation, from the relatively simple economic decisions that individuals make every day to the workings of highly complex markets such as international financial markets. The principal objective of this book, and of this course, is to help you learn these principles and how to apply them to a variety of economic questions and issues.

The three chapters in Part I lay out the Core Principles that will be used throughout the book. All seven Core Principles are listed among the Preface and on the back of the book for easy reference.

Chapter 1 introduces and illustrates three Core Principles, the first of which is the *Scarcity Principle*—the unavoidable fact that, although our needs and wants are boundless, the resources available to satisfy them are limited. The chapter goes on to show that the *Cost-Benefit Principle*, deciding whether to take an action by comparing the cost and benefit of the action, is a useful approach for dealing with the inevitable trade-offs that scarcity creates. After discussing several important decision pitfalls, the chapter concludes by describing the *Incentive Principle* and introducing the concept of economic naturalism.

Chapter 2 goes beyond individual decision making to consider trade among both individuals and countries. An important reason for trade is the *Principle of Comparative Advantage*: by specializing in the production of particular goods and services, people and countries enhance their productivity and raise standards of living.