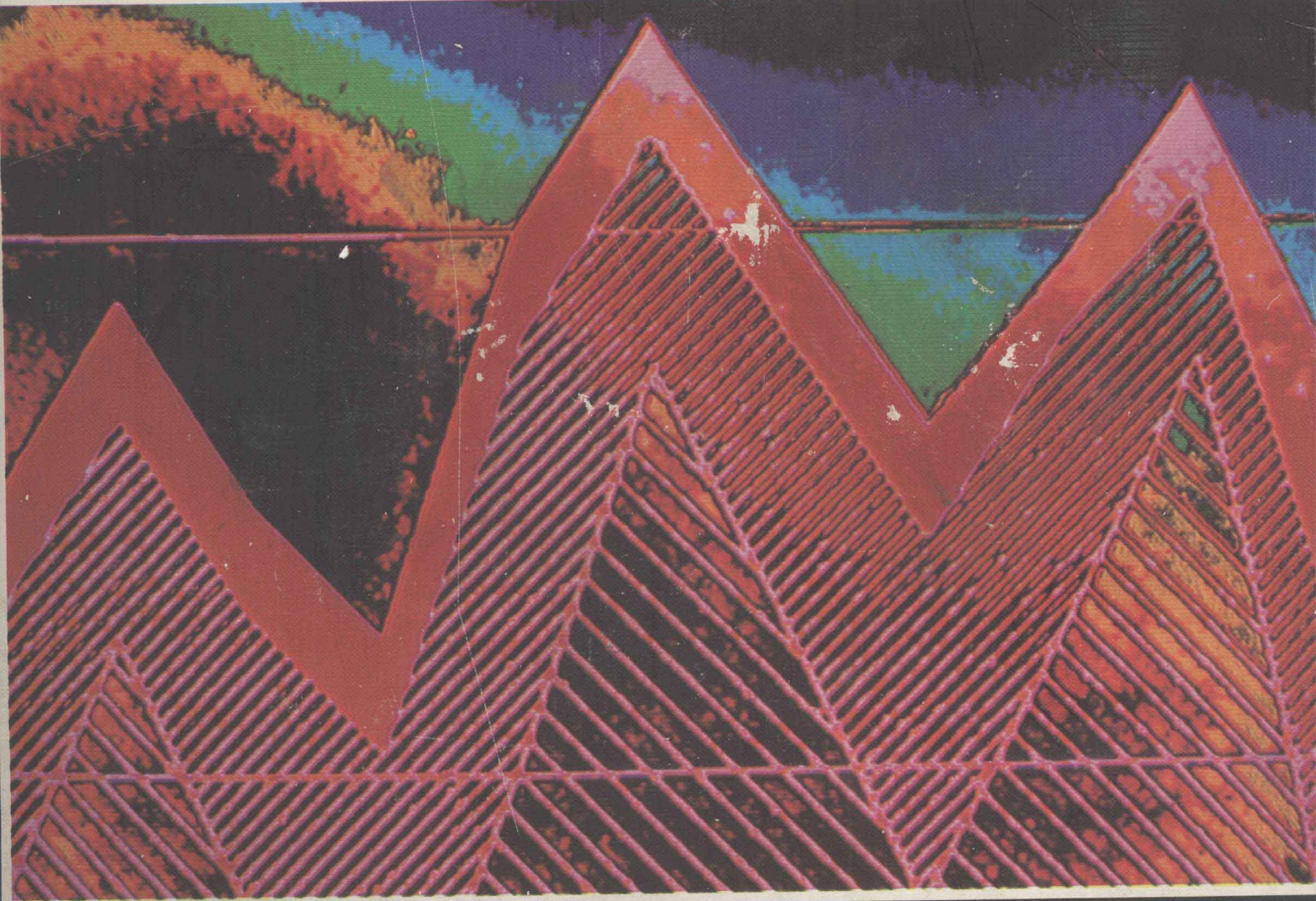


# Economics

## Principles and Applications



David W. Rasmussen   Charles T. Haworth

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# **Economics: Principles and Applications**

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**David W. Rasmussen**

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**Charles T. Haworth**

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**The Florida State University**

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## Preface

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The title of this book, *Economics: Principles and Applications*, reflects our view that economic theory is a body of thought with clear applications, a *practical* tool that we use to explain and predict economic phenomena. Governments use these explanations and predictions to try to control or improve economic circumstances: for instance, to control unemployment, rising prices, poverty, or pollution and to improve the standard of living of the population. Throughout this book, we have tried to emphasize the practical applications that economic theory has, while at the same time making it clear that there are no definitive solutions to all economic problems and that there is no way to “fine tune” an economy into perfect operation.

This text deals with broad economic issues that confront all societies—whether traditional tribal cultures or modern industrial nations: achieving affluence, problems of the distribution of income, and the overall quality of life. Current economic problems are really only new expressions of these enduring issues, so the examples and applications of economic principles included in the text relate to many different countries and periods throughout history. We emphasize the usefulness of economic theory to help societies meet the needs of their populations. Economics provides us with concepts to help us understand how economies work, what the respective roles played by the public and private sectors are, and how to approach solutions to economic problems. It is an exciting field. We are dealing with some of today’s pressing problems: inflation, unemployment, pollution, uncontrolled growth, urban problems, poverty, inequality, discrimination, and the efficiency of the private sector relative to the public sector.

It is important to realize, however, that the field of economics does not offer definitive solutions to all the problems that arise in a modern society. Economics is a social science; its principles are axioms about the behavioral tendencies of individuals and groups. It is not a science of great precision; we have nothing as hard and fast as the law of gravity. An economy is so complex, so intertwined with the economies of other nations, so affected by all the factors that shape people’s economic behavior that precise predictions about economic phenomena are often



impossible. It is clear to economists and it soon becomes clear to students of economics that in this profession there are no sages who have all the answers. Students will soon realize that economics must operate in the context of a political decision-making process. Solutions to existing problems may be different from those thought appropriate a decade ago. Economic theory is a dynamic body of thought that enables us to conceptualize about broad issues and problems—a body of thought that is continually pushed to new frontiers as we endeavor to learn more about economic relationships in society.

Our experience as teachers of economics tells us that many students of introductory economics simply memorize facts, neglecting the process of thinking necessary to an understanding of the material. Since many courses in economics have only two or three examinations, midway through the term some students find themselves with test scores lower than they expected. We suggest providing students with regular feedback to help them learn and to keep them informed about their progress—this helps avoid frustration or the tendency to overestimate how well they have mastered the material.

Professor R. J. Charkins of California State College at San Bernardino has written a study guide to accompany this text. We have used this material in class, and our students have found its vignettes humorous and the tests, provided with detailed answers, very useful in monitoring their performance and furthering their understanding of the subject matter. A test bank and lecture resource supplement are available for instructors.

Many economists have contributed directly and indirectly to the writing of this book. We are appreciative of the cordial and productive working environment provided by our colleagues at The Florida State University. A special thanks goes to Irvin Sobel and William E. Laird. We are also grateful to the following reviewers for their insightful comments and suggestions:

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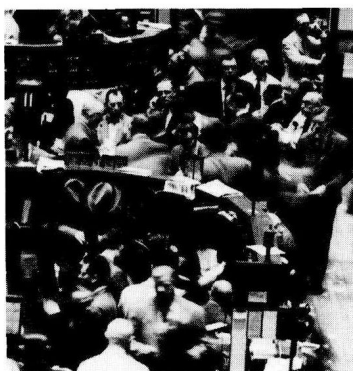
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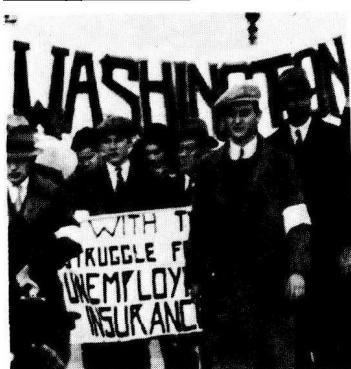
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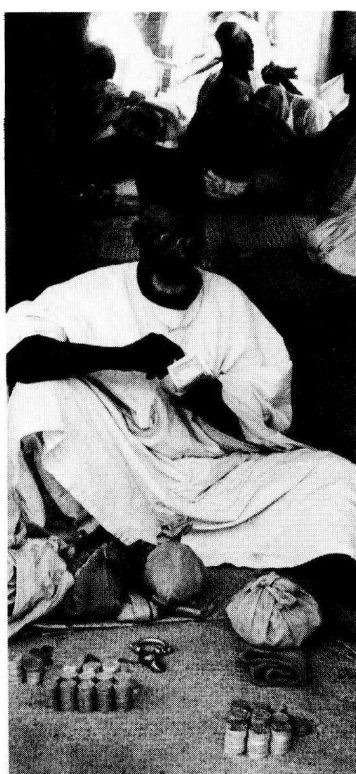
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