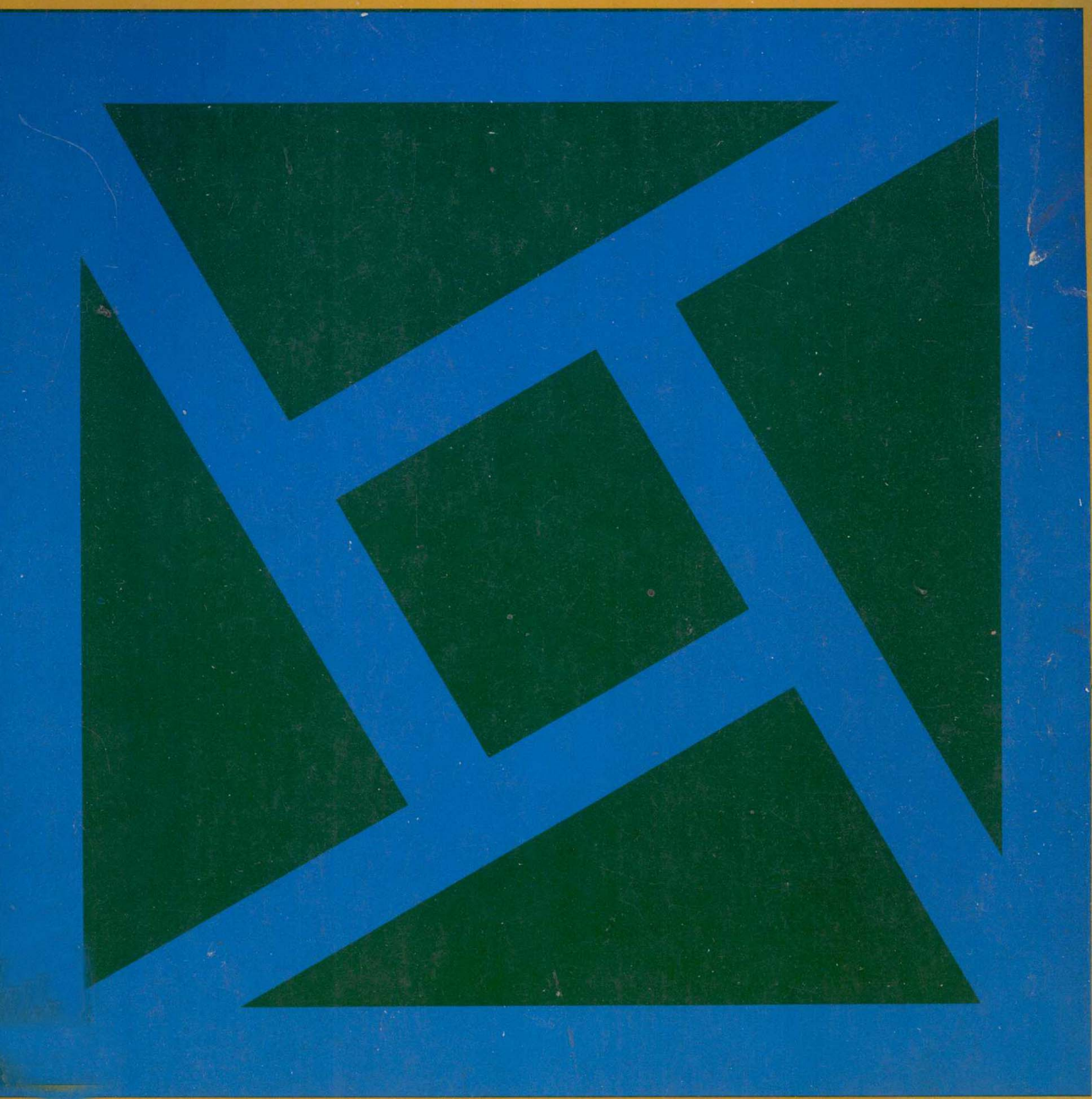
A PROGRAMMED TEXT IN

macroeconomics

Martin L. Primack



A Programmed Text in Macroeconomics

Martin L. Primack
San José State University

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To the Instructor

The subject matter of economics is broad and virtually endless. The time allotted for a one-semester principles course in macroeconomics is short and finite. The economist is faced with the problem of scarcity. A real problem for any instructor is selectivity and emphasis: selection of topics to be covered and the relative amount of time to devote to each subject. All too often an instructor overlooks the problem of productivity: the use of educational devices and structures that increase the rate of learning on the part of the student and release time for covering additional material.

In recent years there have been several experiments conducted to explore the usefulness of programmed material in teaching economic principles. The results have uniformly indicated that good programmed material is extremely useful pedagogical capital.

Lumsden, Atteyeh, and Bach conducted an experiment involving four thousand students in over forty schools to measure the effectiveness of programmed learning. They came to two main conclusions. First, the students learned practically as much after twelve hours with a programmed text as did conventionally taught students after seven weeks involving forty to sixty hours of study. Second, the students using a programmed text alone performed better on complex application.[1]

McConnell and Lamphear concluded from their study that students using programmed material performed equally well on an extensive battery of objective examinations as the conventionally lecture-text taught students.[2] The Paden and Moyer findings further supported the conclusion that students can learn equally well with just programmed material.[3]

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1. Keith G. Lumsden, "Where We Now Stand," The Journal of Economic Education, Fall 1969, Vol. 1, No. 1, p. 16.

2. Campbell R. McConnell and Charles Lamphear, "Teaching Principles of Economics Without Lectures," op. cit., p. 30.

3. Donald W. Paden and M. Eugene Moyer, "The Relative Effectiveness of Three Methods of Teaching Principles of Economics," op. cit., p. 44.

It is unfortunate that no one as yet has compared a group using proper programmed material as part of a creative mixture of lectures, discussions, and other readings. From my experience, especially with less than bright students, students need time to relate to the instructor and the material. Programs cannot do it alone.

The primary purpose of this programmed text on macro-economic principles is to afford this increased productivity and release time for more intensive analysis and for additional materials. This program is designed so that students can master by themselves the basic concepts and theories involved in the usual principles course. As the students master these basic concepts and theories, the instructor has the option to dispense with lectures in many areas and can concentrate on problems of comprehension.

The program sets forth the concepts and theories of macro-economics. The individual sets deal with distinct and separate concepts, and when used in sequence, cover important blocks of economic theory. This program has been tested in classroom work and the results have been very gratifying. Although the program can be used as the main text supported by readings, it will be most useful as a main support text to a major principles textbook. This program can be used with most of the leading texts in the field.

The comments by Holland and Skinner in the introduction to their programmed text, The Analysis of Behavior, is an excellent summary of the benefits of programmed instruction. "(1) Each student advances at his own rate, the fast learner moving ahead rapidly while the slower learner moves at a speed convenient for him. (2) The student moves on to advanced material only after he has thoroughly mastered earlier stages. (3) Because of this gradual progression and with the help of certain techniques of hinting and prompting, the student is almost always right. (4) The student is continuously active and receives immediate confirmation of his success. (5) Items are so constructed that the student must comprehend the critical point in order to supply the answer. (6) 'Concepts' is represented is the program by many examples and syntactical arrangements, in an effort to maximize generalization to other situations."

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It is rare that a text is written without help. This text is no exception. Professor Efraim Gil of Governors State University of Illinois first exposed me to the advantages of programmed learning and with Enid Gil gave insight on the techniques of writing programs. Professor James Willis of California State University at San Jose has read the manuscript for technical correctness. Most important of all, Dean John Hannaford of Ball State University has read the entire manuscript and has made many helpful suggestions.

Any inadequacies that remain in the text must be charged to the stubbornness of the author.

M.L.P.

To the Student

With this book students should be able to instruct themselves in that substantial part of economics which deals with the analysis of microeconomics. This program is designed to present the basic terms and principles of micro-economics.

This programmed text is composed of Parts, divided into sets, each set covering a different area. The sets are divided into frames which contain one or more questions. The frames are numbered; for example, 2.30 is frame 30 of set 2. The frames are not numbered consecutively down the page and you do not read this book vertically down the page. Instead the frames read from page to page; each succeeding frame is on the following page in the same level box as its predecessor on the preceding page. So in the first set, frame 1.1 is at the top of page 2 and frame 1.2 is at the top of page 3 and so on. Every time you get to a frame with the instruction, "turn back to page 1" you will find the next frame in sequence on page 1, but one box further down on the page. You begin on page 2 with frame 1.1, and begin each subsequent set on its second page in the top box.

The answer(s) to each frame appears on the following page, in the left margin, alongside the next frame in the set. Read each frame, write your answer on a separate sheet of paper and then turn the page and check your answer. If it is incorrect, place an "X" after it. Then go on to the next frame.

On page 97 at the end of Set 17, turn the book upside down and complete the second half, exactly as you did the first. The Glossary appears at the end of the first half of the book, but is numbered as the last pages of the book.

You are encouraged to write your answers before reading on. We've learned from our own students that committing yourself to an answer will maximize your learning.

Do not skip and do not do any of the frames out of order. The sequence with its repetitions has been carefully designed. If you have excessive difficulty with a set do it again before going further. If you miss more than ten percent of the frames, repeat the set.

At the end of each part is a review set. If you have difficulty with any frame, repeat the relevant set. The relevant tables and figures are placed at the end of the set. Only refer to them when directed to do so in the set.

Good Luck.

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PART I The Problem of Scarcity and Supply and Demand

Set 1 The Definition of Terms

quantity
quality

(answer to 1.3)

1.4 Capital is the second necessary resource in production. Capital is defined by economists as all physical things that directly aid in the production of goods and services and have a length of life of more than one year.

(an important definition)
(no answer needed)

---

no answer needed

(answer to 1.7)

1.8 The creation or construction of capital involves the act of _____.

---

no answer needed

(answer to 1.11)

1.12 Of the three factors discussed so far, the factor of production that is produced or created by society and can be increased is capital. The factor that is a product of nature and is fixed in supply is _____.

---

labor
capital
land
entrepreneur
(answer to 1.15)

1.16 The return of income to labor is (wages/interest/rent/profits). The return to owners of capital is (wages/interest/rent/profits). The return for entrepreneurship is (wages/interest/rent/profits). The return to owners of land is (wages/interest/rent/profits).

---

no answer needed

(answer to 1.19)

1.20 The percent of the total population that is in the labor force is measured by the labor _____ rate.

---

frictional

(answer to 1.23)

1.24 Essay Questions: (1) Define factors of production. What are they? (2) Define capital, investment, entrepreneurship, full employment, labor force, and frictional unemployment.

(continued)

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	1.1 The factors of production, or factor inputs, are the basic elements or resources, that are needed in any economic system in order to produce goods or services. Labor, capital, land, and entrepreneurship are the four _____ of _____. (an important definition)
no answer needed (answer to 1.4)	1.5 Since capital comprises physical things (like machines or buildings) that directly aid production and have a lifetime of more than one year, money (is/is not) considered capital by economists.
investment (answer to 1.8)	1.9 A factory building is a physical thing that aids in production of goods and services and exists for more than one year and, therefore, is _____. The construction of a factory building (is/is not) an act of investment.
land (answer to 1.12)	1.13 The fourth _____ of _____ is the entrepreneur. The entrepreneur organizes the other three factors of production into a unit to produce goods and services.
wages interest profits rent (answer to 1.16)	1.17 Full employment exists when all workers who are willing and able to work are _____.
participation (answer to 1.20)	1.21 The labor participation rate measures the percent of the total population that is in the _____ _____.
	1.25 (3) Distinguish between quantity and quality as regards labor and capital. (4) Contrast capital with land. (5) What is the return or income to labor, capital, land and entrepreneurship?

factors production (answer to 1.1)	1.2 Labor, capital, land, and entrepreneurship are the four _____ of _____ that are necessary to produce any good or service.
is not (answer to 1.5)	1.6 Capital can increase production by increases in quantity and/or quality. Duplication of an existing machine is an increase in (quantity/quality), while an improvement in a machine is an increase in (quantity/quality).
capital is (answer to 1.9)	1.10 The purchase of a share of A.T.& T. is a transfer of ownership of a financial instrument. The share of stock does not directly aid in the production of goods and services; therefore, it (is/is not) considered investment by economists.
factor production (answer to 1.13)	1.14 That factor which organizes the other factors of production is the _____.
employed (preferred) or working (answer to 1.17)	1.18 Some people are too young or too old to work. Some women do not work. Full employment (does/does not) mean every person in the population is employed.
labor force (answer to 1.21)	1.22 At any one time, there are some people who are between jobs. These people are frictionally unemployed. Therefore, full employment (does/does not) mean that everyone in the labor force is actually employed.

factors production (answer to 1.2)	1.3 Labor can increase production by an increase in quantity and/or quality. When we increase the number of workers we increase (quantity/quality). When there is an improvement in education or training there is an increase in (quantity/quality). (turn back to page 1)
quantity quality (answer to 1.6)	1.7 Investment, as the economists define it, is the act of creating or constructing capital. (an important definition) (no answer needed) (turn back to page 1)
is not (answer to 1.10)	1.11 Land is the third kind of resource necessary for production to take place. .Included in the category "land" are natural resources. (no answer needed) (turn back to page 1)
entrepreneur (answer to 1.14)	1.15 Wages are the return or income to the factor of production (labor/capital/land/entrepreneurship). Interest is the return or income to the factor (labor/capital/land/entrepreneur). Rent is the return or income to the factor (labor/capital/land/entrepreneur). Profits are the return to the factor (labor/capital/land/entrepreneur). (turn back to page 1)
does not (answer to 1.18)	1.19 The labor participation rate measures the percent of the total population who are employed or actively seeking employment, that is who are in the labor force. (no answer needed) (turn back to page 1)
does not (answer to 1.22)	1.23 The most complete definition of full employment is that all those in the labor force are employed less _____ unemployment (those between jobs). (turn back to page 1)

Set 2 The Problem of Scarcity and the Production Possibility Curve

(Figures for Set 2 are on page 11.)

limited
unlimited

(answer to 2.5)

2.6 Economics, as a science, can be defined as the study of how society allocates limited _____ among unlimited _____.

constant, or
fixed

(answer to 2.11)

2.12 The assumptions of the production possibility curve are (1) _____ employment of factors of production, (2) _____ level of technology, and (3) _____ supply of factors of production.

less

(answer to 2.17)

2.18 If this economy wants to produce more butter it would have to produce (more/fewer) guns.

increasing

(answer to 2.23)

2.24 Some resources are more productive in producing butter, and some more productive in guns. Also, some resources are simply more productive than others in the production of either guns or butter. Therefore, the law of increasing costs exists because resources (are/are not) perfectly adaptable or interchangeable between different commodities without loss of productivity.

full
constant
constant

(answer to 2.29)

2.30 Look at Figure 2.2. Now we drop the assumption of full employment and assume that there are some unused resources. By using the unemployed resources it (is/is not) possible to increase the production of either guns or butter without decreasing the other, or to increase both guns and butter.

increased
out

(answer to 2.35)

2.36 In Figure 2.2 an increase in technology shifts the production possibility curve from _____ to _____. This shows that increased technology (increases/decreases) production of both guns and butter.

2.1 The central problem of all economic systems, and therefore, the central problem of economics, is the problem of scarcity.

(no answer needed)

---

resources, or factors
wants

(answer to 2.6)

2.7 The problem of scarcity can be illustrated by the production possibility curve. The production possibility curve shows the various combinations of two commodities that an economy can produce in a given time period.

(an important definition)
(no answer needed)

---

full
constant
constant

(answer to 2.12)

2.13 Figure 2.1 depicts a _____ _____ curve. It connects points that show all possible combinations of the two commodities, guns and butter, that this economy can produce.

---

fewer

(answer to 2.18)

2.19 But we also note that the more guns that are produced the more butter that has to be given up to increase another equal size unit of guns. The first unit of guns produced, OC, requires only _____ _____ of butter to be given up. (THINK! If no guns at all were produced, how much butter could be produced? If now OC guns are produced, how much butter is now produced? What is the difference in output?)

---

are not

(answer to 2.24)

2.25 At first, as resources used to produce butter are shifted to produce guns, the (most/least) efficient resources are moved from butter and (large/small) amounts of butter are sacrificed or given up.

---

is

(answer to 2.30)

2.31 Look at Figure 2.2. At point C more guns can be produced without decreasing butter by moving to point D. Or, more butter can be produced without decreasing guns by moving to point _____, or more of both can be produced by moving to point _____. This can only exist if there are unemployed resources. Therefore, with unemployed resources we are now producing (on/outside/within) the production possibility curve.

A
B
increases

(answer to 2.36)

2.37 In Figure 2.3, an increase in technology shifts the production possibilitiy curve from _____ to _____. This shows that the change in technology affects only (guns/butter).

no answer needed (answer to 2.1)	2.2 People want or desire more than they have. Very few can get all the commodities they desire. In a significant sense, wants are (limited/unlimited).
no answer needed (answer to 2.7)	2.8 On a two dimensional surface we can only consider the various combinations of (a number) commodities that an economy can produce in a given time period. This is a _____ _____ curve.
production possibilities (answer to 2.13)	2.14 In Figure 2.1, if all the resources of the economy were used to produce guns (measured along the vertical axis) the maximum quantity of guns produced would be 0 _____. If they were all used to produce butter (measured along the horizontal axis) the maximum quantity 0_____ would be produced. (To find quantity of guns measure up the vertical axis and to find quantity of butter measure along the horizontal axis.)
EF (answer to 2.19)	2.20 When the second unit of guns is produced, CB, butter must be given up equal to ED. ED is (larger/smaller) than EF.
least small (answer to 2.25)	2.26 As more guns are produced there is now a need to give up more efficient resources in the production of butter. This results in (larger/smaller) amounts of butter sacrificed or given up to produce the increased amount of guns.
E F within (answer to 2.31)	2.32 In Figure 2.2, point C is within the production possibility curve and shows that the economy is producing with (unemployed/fully employed) resources.
A B butter (answer to 2.37)	2.38 Now we drop the assumption of constant supply of resources and assume that the supply of resources, for example, labor or capital, increases. Now it is possible to produce (more/less) guns and butter.

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