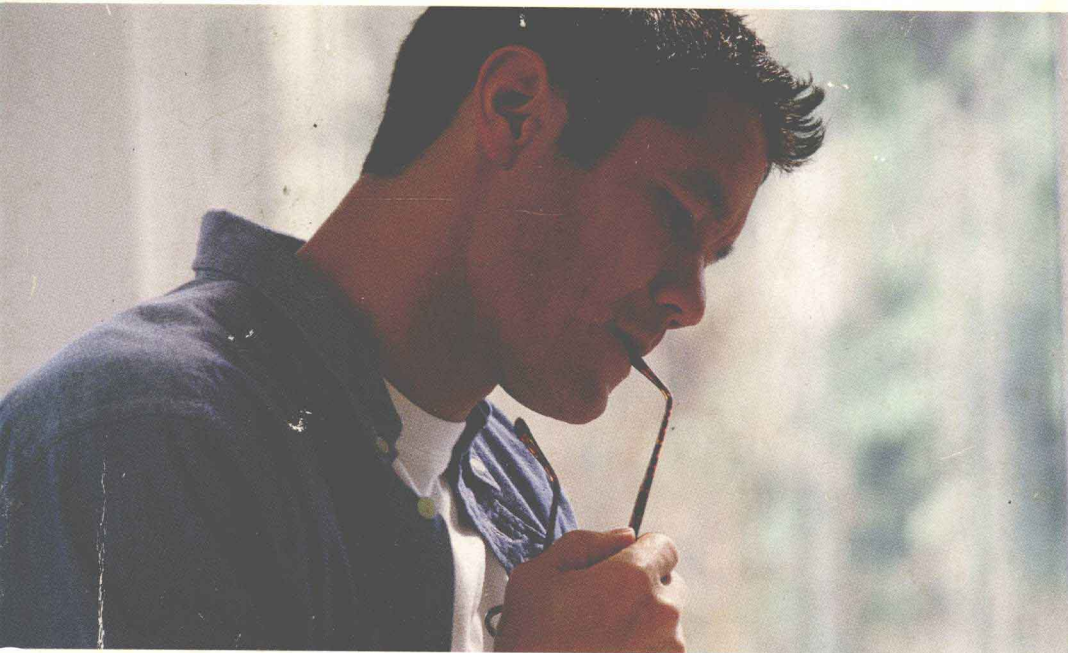


Economic Issues & Policy



Brux & Cowen



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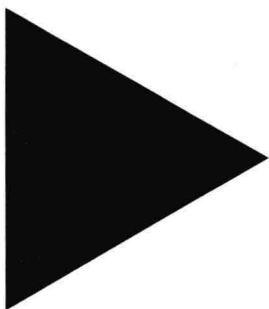
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*Economic Issues
and Policy*



Foreword to the Instructor

This text is intended for a nontechnical, issues-oriented economics course, usually a 100-level course in four-year universities that offer it. The book is also appropriate for two-year colleges and other institutions, as well as economic education programs for elementary and secondary schoolteachers.

Combined, the authors have 32 years' experience in teaching such a course. Usually our students are not economics majors, though many have decided to major in economics after taking this course. Some of our students are recent high school graduates and incredibly naïve about the workings of the economy. Others are nontraditional students who know only too well how the economy works. They also understand how disadvantaged they are without a college degree. The primary objective of this book is to reach both groups plus those in between.

Our goals in writing the book were to make students aware of economic issues in the world around them, and to facilitate their understanding of these issues and related policy perspectives. Students are often unaware that so many important issues of our day, including ones that directly affect the students themselves, are rooted in economics: issues pertaining to our environment, our health care, our educational system, and matters as weighty as war and peace. Furthermore, the issues that *are* recognized as economic, such as unemployment and inflation or trade and budget deficits, are too often set aside by students as complex and difficult—better left for the experts. Students need to know that these issues are indeed relevant, interesting, and within their ability to understand. They need to comprehend these issues in order to make sound choices and form intelligent opinions.

Recent studies suggest that today's youth are disinterested in the world around them and focused instead on more personal concerns such as getting good grades, paying for education, and acquiring a job. Students must be shown the connection between themselves and their world. In a functioning democracy, they need to see the relevance of social issues to their lives, and the impact their lives can have on these matters. This book is an effort to bridge these gaps. Indeed, its Epilogue, *You and the World around You*, is designed specifically to raise these personal issues with the student.

The discussion of issues in this book is lively and current, both in the relevance of the issues themselves and in the supporting material. We have made an effort to include issues of gender, race, and ethnicity. There is also plenty of discussion

of the international economy, since the world is so rapidly becoming interdependent. Even if you rarely have time to include international topics in your course, we encourage you to read all three international chapters before making such a decision. We think you will find them quite relevant, and the issues are presented in such a way that students can understand them.

Economic theory in this book is used to analyze economic situations and implications of possible policy. The economic theory is basic: supply and demand, aggregate supply and aggregate demand, production possibilities, and so on. The level of technicality in the book is deliberately appropriate for an economic issues course with no prerequisites, unlike other texts on the market that attempt to incorporate all relevant principles and theory into pages better focused on the issues themselves. The material is written in a clear and student-friendly manner. Occasionally more technical material or additional examples are placed in appendices to the chapters. Graphs are clear, usually illustrating only one concept per graph. A careful explanation appears with each graph. Only two basic types of graphs are used throughout the text: production possibilities and demand and supply (and aggregate demand and supply). Every effort has been made to place the graph and the discussion of the graph on the same or adjacent pages.

While economic theory is generally presented in a simple market-oriented framework, policy discussion is not limited to such a narrow context. Rather, diverse policy perspectives and viewpoints are presented. As a result, the book contains a more liberal orientation than one that would rely on market analysis only, but it is carefully balanced to reflect both the conservative and the liberal views.

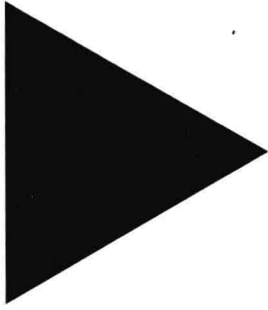
Indeed, the careful presentation of conservative and liberal viewpoints is one of the unique characteristics of this book. Students often have opinions, and they often view themselves as either conservative or liberal, but they rarely have the sophistication to understand the economic meaning of the terms and how their viewpoints tie into one or the other general philosophy. The Viewpoint section at the end of each chapter clarifies these notions, giving students a framework within which to understand their own economic philosophies. **Please point out to your students the importance of reading the Foreword to the Student, which clarifies the conservative versus the liberal economic views.**

Ancillaries

Two ancillary volumes, *Instructor's Manual with Test Bank* and *Study Guide*, are available with this book. As authors of the text, we also wrote the instructor's manual and the study guide, thereby ensuring that the ancillaries are consistent with the text in both vocabulary and intent.

Instructor's Manual with Test Bank tells our purpose and objectives on a chapter-by-chapter basis. It contains teaching and lecture suggestions as well as additional examples that the instructor can use in class. It also contains sample short-answer, multiple-choice, and true-and-false exam questions for each chapter.

Study Guide also contains our purpose and learning objectives. Based on our experience with students, we've also included, on a chapter-by-chapter basis, study suggestions and practice exercises that we feel are very good. Finally, a self-test comprised of multiple-choice and true-and-false questions is provided.



Foreword to the Student (A Must Read!)

The focus of this book is on economic issues. It includes those issues you would normally consider to be economic, such as unemployment and inflation. But it also includes a variety of social issues you might not ordinarily think of in terms of economics: the plight of our nation's homeless, the degradation of our environment, and the problems in public education. These and many other issues are addressed in this book.

The book is intended to be student friendly. The graphs are straightforward and clear. You may be relieved to know that all of the graphs in this book boil down to just two basic types: production possibilities and demand and supply. The definitions of economic vocabulary help you cut through the economic jargon. The issues are current. The text is clear and to the point, with a minimum of technicality. The material is presented in a way that you should find relevant to your personal lives.

The book is intended to get you to think. As you acquire the basic tools of economics, you also acquire a basic framework within which to form and justify your personal opinions about social issues. Are you a conservative or a liberal? Are you conservative on some issues and liberal on others? Do you even know what these terms mean in the context of economics? In economics, from a U.S. perspective, conservative generally means believing in only a limited role of government in the economy. The free market is thought to operate relatively well by itself, with little intervention from the government in the form of regulations, taxes, and programs. Indeed, conservatives believe that if left alone, the market will solve most economic problems. Liberal, on the other hand, generally means support for a far greater involvement by government in the economy. Liberals believe that the marketplace may be efficient, but not necessarily equitable. This means that the marketplace is not always fair and does not assure everyone an adequate education, health care, housing, and income. Government intervention in the marketplace is thought to be necessary to overcome problems such as discrimination, poverty, and pollution.

Keep in mind that these notions of what it means to be conservative or liberal specifically apply to **economics**. On the other hand, from a **social** perspective, conservative often means resistance to change, while liberal means support of

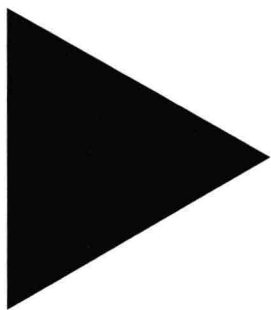
social experimentation and change. A social conservative may therefore support more government involvement in individual lives than a liberal would. For example, social conservatives are more likely to favor government censorship of music, movies, and magazines than are liberals.

This textbook covers viewpoints that are conservative or liberal from an economics standpoint. The Viewpoints section at the end of each chapter clarifies the positions of both liberals and conservatives. This is designed to help you formulate your own beliefs. Keep in mind that these sections are intended to show opposite viewpoints; often economists and policymakers actually find themselves closer to the middle. On many issues, there is widespread agreement among economists.

Basic economic tools can be used as a framework for understanding the various social issues in the world around us. They can provide greater insight into issues such as crime, education, housing, poverty, discrimination, and so on. They can help us understand government policy within our nation. They can help us understand economic events in other countries, including those countries experiencing transition from socialism to capitalism in Eastern Europe, and those countries struggling to develop in the less-developed world. However, there are no pat solutions to economic issues and problems. People of different philosophies can hold very different viewpoints, despite a common understanding of economic concepts. Here is where you, the student, come in. While this book will provide a basic economics framework for discussing social issues and problems, it is still up to you individually to determine your own viewpoint on the situation.

A study guide is available with this textbook to aid you in your study of economic issues and policies. It contains our purpose and learning objectives for each chapter. Based on our experience with students, we've also included on a chapter-by-chapter basis, study suggestions and practice exercises that we feel are very good. Self-tests comprised of multiple-choice and true-and-false questions are provided as well.

Now enjoy your discovery of the world of economics!



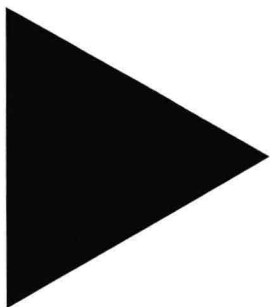
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Second, we would like to thank all the anonymous reviewers who made suggestions on early drafts of this book. They critiqued our pedagogy and our English usage. The book is significantly stronger because of their efforts. Its remaining weaknesses are, of course, our responsibility.

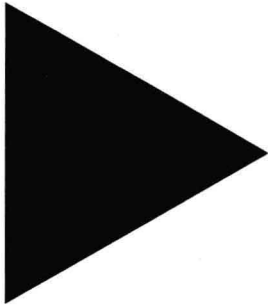
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