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· 珍藏版 ·

经济学原理

N. 格列高里·曼昆 / 著

世界经济
管理文库



Principles of Economics

N. Gregory Mankiw

英文版

机械工业出版社

DRYDEN

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(N. Gregory Mankiw)



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N. Gregory Mankiw: Principles of Economics

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致读者(代序)

这是一本供初学者使用的经济学入门书,也是一本供经济学的老学生温故而知新的经济学手册。它可以作为教材使用,也可以供自学之用。

当你在决定是否购买这本书之前,你需要考虑的是:你能从这本书中得到什么收益?这种收益是否能补偿你为此付出的成本?(这种成本不仅包括你支付的货币,而且包括你读这本书所要花费的时间。一般来说,读书的时间成本远远大于货币成本,但许多人常常忘记了这一点,所以他们在决定是否买一本书时,过多地考虑了书价的高低。)下面的问题或许有助于你作出决策。

一、为什么要学习经济学

经济学是经济学家提供给社会大众的一种改进生活、认识世界的武器。或许你并不想做一名经济学家,但即使如此,你仍然应该学点经济学。

首先,学习经济学有助于你作出更好的个人决策。在你的一生中,你需要作出各种各样的经济决策。比如说,在即将完成高中学业的时候,你需要决定是否去上大学?在大学毕业的时候,你需要决定是继续在国内读研究生,还是出国留学,或者去工作?在工作之后,你要决定如何花费你的收入:多少用于现在的消费?多少用于储蓄?如何投资你的储蓄?是买股票还是存在银行?或许有一天你成了一个企业的老板或经理,此时,你需要决定你的企业应该生产什么产品?卖什么样的价格?在什么媒体上作广告?招收什么样的人员?提拔谁当你的助手?如此等等,不一而足。为什么决策是重要的?因为你的资源是有限的——你的时间有限,收入也有限。如果你参加工作,就可能没有时间上大学;如果你把钱用于买房子,就可能没有钱再来买汽车。所以你必须在各种竞争性的需求之间分配你有限的资源。进一步,更为麻烦的是,你的决策常常是在不确定的情况下作出的。比如说,当你选择学无线电专业的时候,你并不确定当你毕业的时候,这个专业的就业前景如何。为了避免决策的失误,你需要一些理论的指导。经济学是有关个人选择的科学,学习经济学有助于你作出更好的决策。明白了这一点,你就明白了为什么经济学是西方大学里听众最多的选修课。

其次,学习经济学有助于你理解你生活于其间的世界是如何运转的。你的生活状况不仅取决于你自己的决策,而且依赖于其他人的决策,以及周围环境的变化。理解你周围的世界如何运行,自然有助于改进你的决策。你可能为生活中的许多事情感到惊奇。比如说,当你想买一台电视机的时候,只要支付必要的价格,就可以把它从商场搬回家;当你在大街上走得饥肠辘辘的时候,走进一家饭馆就可以指挥别人给你上菜,而无须回家自己做饭。而事实上,你事前并没有告诉电视机的生产厂家为你生产一台电视机,也没有通知饭馆的老板为你准备饭菜。那么,是什么因素使你得到你想要的东西?经济学是有关人们之间的决策如何相互作用的科学。学了经济学,你就可以明白市场这只“看不见的手”如何使自利的个人为大家服务;你也可以明白,为什么中国电信的服务那么差,而收费却那么高;为什么北京的“面的”司机有拒载现象,而奥迪车司机却不拒载;为什么一个流行歌手演出一晚上可以赚好几万元,而一个建筑个人一个

月却只能赚几百元；为什么利率一上升股票价格就下跌；为什么中国经济增长这么快，而下岗工人却越来越多；为什么国有企业设备那么好，而就是竞争不过民营企业；为什么那么多国有企业的厂长经理一生勤勤恳恳，一到 59 岁就犯贪污罪.....。

再次，学习经济学有助于你理解政府政策的优与劣。每个社会都离不开政府，学习了经济学，你会明白我们为什么需要政府，什么是政府应该干的，什么是政府不应该干的。我们需要政府，是因为在存在诸如外部性、公共产品这样的场合，依靠市场不能达到资源的有效配置。比如说，如果没有政府的干预，自私自利的企业家也许会使你喝太多的污水；如果没有政府，私人部门也许不会提供诸如路灯这样的公共产品。特别地，我们需要政府来提供市场交易所需要的规则和秩序这样一类公共产品，需要政府保护我们的个人财产和人身安全。但政府对市场的过多干预常常导致供给不足、价格扭曲、资源浪费、垄断横行。政府的政策选择不仅影响整个社会的资源配置效率，而且影响包括你在内的每个公民的福利。所以当你希望政府制定某种政策的时候，你必须谨慎考虑这种政策的不利后果。经济学常识有助于你思考这样的问题。比如说，如果你是一个打工仔，你也许会认为政府应该制定一个“最低工资法”保护你的利益，或者向富人多征税来补贴你，而经济学原理会告诉你，这样做的后果也许是你根本就找不到工作。再比如，作为消费者，你也许会认为政府应该对商品的价格作出限制，而经济学会告诉你，这样做的后果是你也许再也买不到这种商品。常识可能会误导你，经济学会使你不过于迷信政府。

最后，学习经济学可以改进你的思考方式。经济学是一门科学。科学是什么？科学是一种思考问题的方式。如同天文学家通过观测天体现象来归纳天体运行规律一样，经济学家通过观测现实经济现象归纳经济规律。经济学家有自己的语言和思维方式。诸如需求、供给、弹性、消费者剩余、机会成本、比较优势、外部性、信息不对称、均衡等等，是经济学的基本语言。掌握了这些经济学语言，你就可以更好地思考你周围的世界是如何运行的。外行人常常批评经济学家看问题过于简单，而他们忘了，科学的力量就在于把复杂的现象简单化。经济学就象一张指路图，它舍弃了现实中的许多细节，却使你更清楚自己要去的方向。你没有必要成为一位经济学家，但知道经济学是如何思考问题是有益的，至少，你不大容易被蹩脚的经济学家和夸夸其谈的政治家所蒙蔽。无论你今后干什么，你不会后悔自己学过经济学。

二、为什么选择这本书

如果你已经决定学点经济学，接下来要作出的一个决策是选择哪本书入门？你当然希望选择一本最好的教科书。问题是选择好的教科书并不是一件容易的事，因为图书市场充斥着众多的教科书，质量参差不齐。每位作者都会声称自己的书最好，而作为初学者，你不大可能有能力判断哪本好，哪本不好。这就是经济学家讲的信息不对称：买的人不如卖的精。

在这种情况下，最安全的办法当然是选择最权威的经济学家写的最新版的教科书。为什么要选择最权威的经济学家写的教科书？原因不仅是因为最权威的经济学家炉火纯青，对理论的把握最准确，能深入浅出地写出“正经”来；而且因为最权威的经济学家最注重自己的名声，他们既没有必要用出一本新书的办法增加自己的知名度，也不敢为了赚取版税而滥竽充数地出书。这就如同麦当劳不敢卖过时的汉堡包一样。他们的声誉就是质量的代号，他们的名字就是一种品牌。

为什么要选择新版的教科书？因为如同经济生活本身一样，经济学也在不断发展和演化，以用新的理论解释新的经济现象。特别是过去 20 多年里，随着博弈论、信息经济学和理性预期

的引入,经济学可以说发生了一场革命。经济学理论越来越贴近现实,对现实的解释能力越来越强。比如说,20多年前,经济学理论还难以为企业经营决策提供多少理论指导,而今天,博弈论已成为企业战略管理的基础;20多年前,经济学家对公司融资几乎无话可说,而今天,信息经济学已成了公司融资理论的基础;20多年前,经济学家还在迷信于用政府管制来弥补市场的失灵,而今天,政府管制被认为是资源配置无效率的最主要原因之一,从而导致了席卷全球的经济自由化浪潮。或许,我们可以将70年代经济学教科书与90年代经济学教科书的差别,类比为286计算机与586计算机的差别。只有使用最新版的教科书,你才能学到最新的经济学理论。

过去,中国教科书市场上很难看到最权威的经济学家写的最新版的经济学教科书,翻译过来的教科书一般滞后于原版10年以上,而国内经济学家写的“西方经济学”教科书其内容则更为陈旧,更不用说在有色眼镜透视下的扭曲了。可喜的是,近几年来,随着中国的改革开放,经济学图书市场正在发生一场革命性的变化,不仅国外最新版的英文著作在及时引进,而且国内经济学家也出版了一些在内容上与国外同步的经济学教科书。

在此,我愿意向你推荐机械工业出版社最新出版的如下三本教科书:

1. N. Gregory Mankiw 著: The Principles of Economics(经济学原理), 1998年第1版。
2. William Baumol 和 Alan Blinder 合著: Economics — principles and policy(经济学: 原理与政策), 1997年第7版。

3. Paul Samuelson 和 William Nordhaus 合著: Economics(经济学), 1998年第16版。

这三本书都是享誉全球的经济学大师撰写的最新版的经济学入门书,是西方大学里最流行的教科书。

N. Gregory Mankiw 是美国著名的年轻一代经济学家,早年毕业于普林斯顿大学,并在MIT获得博士学位,现为哈佛大学经济学教授,同时兼任著名的智囊机构国家经济研究局(NBER)货币经济学项目主任,波士顿联邦储备银行和美国国会预算办公室顾问。他的《宏观经济学》是美国最畅销的教科书之一。他是一位多产而富有创新思想的经济学家,在多种一流学术杂志上发表了数十篇开创性的论文,被公认为是新凯恩斯经济学的代表人物之一。他在经济学界的名气比他的年龄大得多。

N. Gregory Mankiw 的《经济学原理》今年一上市,就成为最畅销的教科书,出版商在付印之前就支付了作者100万美元的版税,创下了教科书版税的新纪录。这本教科书的最大特点是它的“学生导向”。如作者自己指出的,他要写的是一本学生喜欢看的经济学教科书。与其他同类教科书相比,本书更多地强调的是经济学原理的应用和政策分析,而不是正式的经济模型。为此,作者在大部分章节里都提供了案例,以说明经济学原理如何应用于现实经济问题的分析。此外,作者在书中还提供了大量的“新闻摘要”,以使读者懂得什么是生活中的经济学。

William Baumol 和 Alan Blinder 也是两位享誉全球的著名经济学家。Baumol 生于1922年,在美国纽约州立大学获得艺术学学士学位,在英国伦敦经济学院获得经济学博士学位,曾执教于普林斯顿大学,现为纽约州立大学经济学教授,曾担任过美国经济学会主席等多种学术职务。他在产业组织、企业理论、经济增长、反垄断理论等方面作出重要的开创性贡献,发表了500多篇学术论文和20多本著作,其中有些著作被翻译成多种文字。

Blinder 生于1945年,在普林斯顿大学获得经济学学士学位,在MIT获得经济学博士学位,自1979年以来,Blinder 任普林斯顿大学经济学教授;1988年至1990年间担任普林斯顿大

学经济系主任；1993年至1996年间，先后担任美国总统经济顾问委员会委员，联邦储备委员会副主席。Blinder发表有多种专著和学术论文，在人力资本和劳动供给、货币政策和财政政策、不确定性和一般均衡等方面都有重要贡献。

Baumol和Blinder合著的《经济学：原理与政策》初版于1979年，也是美国等国家最流行的经济学教科书之一（就我所知，本书有澳大利亚版），多次再版，到1997年已出到第7版。本书的最大特点是叙述上的“问题导向”和“政策导向”。作者认为，学习经济学的最好方法是“从问题到理论”，而不是相反。为此，本书的每一章都从一个具体的、使人感到困惑甚至自相矛盾的政策问题或现实问题开始，然后通过深入浅出的经济学分析，使你走出迷雾。这样做不仅提高了读者读书的兴趣，而且可以加强读者对所学内容的记忆。如果你能记住本书作者所归纳的经济学的12个基本观点，你将终身受益。

Paul Samuelson（保罗·萨缪尔森）是当代经济学泰斗，1972年诺贝尔经济学奖得主，MIT经济系的创始人。他的《经济学》第1版出版于1948年，至今已有整整50年的历史。在50年的时间里，他的《经济学》不断再版，被翻译成包括中文、俄文、日文、法文、德文在内的数十种文字，风靡全世界，是有史以来发行量最大的经济学教科书，教育和影响了数代经济学家、政治家、企业界领袖、新闻记者以及众多的普通人。难怪他自豪地说：“如果我能为一个国家写经济学教科书，我并不在乎谁为它写法律，谁在为它起草条约。”Samuelson本人对他的《经济学》的修订到第14版（1992年）。1995年，另一位著名经济学家William Nordhaus的加盟，使得《经济学》没有随Samuelson本人的衰老而衰老，而继续以主流经济学最前沿的教科书身份畅销全球。你现在看到的是该书的第16版，出版于第1版50岁生日之际。

尽管这三本教材所叙述的经济学原理并无大的差别，但由于每个作者的个人偏好和学术风格不同，在叙述方法、切入角度、材料的取舍等方面还是各有千秋。不同书中用于说明同一原理的有些材料互为补充，有助于加深读者对基本理论的理解。据悉，这三本书已由18位国际著名商学院的教授联合推荐作为中国MBA及经济学/管理学院的首选教科书。我个人学习经济学多年，可以说是经济学的老学生了，但现在再拿起来读这些入门书，仍感有不少新的收获。事实上，当我在为博士生备课时，常常要翻一翻这样一些经济学入门书，以在理解上“温浅而知深”，讲课时深入浅出。美国著名经济学家Herbert Stein说：绝大部分可用于指导公共政策的经济学都在本科生的经济学入门教程中。我的经历告诉我，他的话是对的。

如果你的经济条件许可，我建议你不妨同时拥有这三本书。我的经验是，读三本由不同经济学大师写的同一类型的教科书要比读三遍同一大师写的同一本书收获大。你可以从任何一本书开始，然后在每一部分对照阅读。特别地，当你对本书的内容难以理解时，最好看看另外两本书上是如何写的。你大概有过这样的生活经历：见过一次面的人没有给你留下什么印象，但在另一场合再次谋面后，他就深深印在你的脑海中。读书也是如此。当然，如果经济条件不允许，你买其中的一本就可以了。但你最好能记住我一开始说过的话：读书最大的成本是时间而不是书价。要买好书，不要买便宜的书。

现在，你可以作出自己的决策了。

张维迎

北京大学光华管理学院经济学教授

北京大学工商管理研究所所长

英国牛津大学经济学博士

1998年6月7日星期日

*To Catherine and Nicholas,
my other contributions to the next generation*

ABOUT THE AUTHOR



N. Gregory Mankiw is Professor of Economics at Harvard University. As a student, he studied economics at Princeton University and MIT. As a teacher, he has taught various courses, including macroeconomics, microeconomics, statistics, and principles of economics. He even spent one summer long ago as a sailing instructor on Long Beach Island.

Professor Mankiw is a prolific writer. His work has been published in academic journals, such as the *American Economic Review*, *Journal of Political Economy*, and *Quarterly Journal of Economics*, and in more popular forums, such as *The New York Times*, *Boston Globe*, and *The Wall Street Journal*. He is also the author of the best-selling textbook *Macroeconomics* (Worth Publishers). In addition to his teaching, research, and writing, Mankiw is Director of the Monetary Economics Program at the National Bureau of Economic Research, a non-profit think tank in Cambridge, Mass., and an adviser to the Federal Reserve Bank of Boston and the Congressional Budget Office.

Professor Mankiw lives in Wellesley, Mass., with his wife, Deborah, their children, Catherine and Nicholas, and the family's border terrier, Keynes.

PREFACE: TO THE INSTRUCTOR

During my twenty-year career as a student, the course that excited me most was the two-semester sequence on the principles of economics I took during my freshman year in college. It is no exaggeration to say that it changed my life.

I had grown up in a family that often discussed politics over the dinner table. The pros and cons of various solutions to society's problems generated fervent debate. But, in school, I had been drawn to the sciences. Whereas politics seemed vague, rambling, and subjective, science was analytic, systematic, and objective. While political debate continued without end, science made progress.

My freshman course on the principles of economics opened my eyes to a new way of thinking. Economics combines the virtues of politics and science. It is, truly, a social science. Its subject matter is society—how people choose to lead their lives and how they interact with one another. But it approaches its subject with the dispassion of a science. By bringing the methods of science to the questions of politics, economics tries to make progress on the fundamental challenges that all societies face.

I was drawn to write this book in the hope that I could convey some of the excitement about economics that I felt as a student in my first economics course. Economics is a subject in which a little knowledge goes a long way. (The same cannot be said, for instance, of the study of physics or the Japanese language.) Economists have a unique way of viewing the world, much of which can be taught in one or two semesters. My goal in this book is to transmit this way of thinking to the widest possible audience and to convince readers that it illuminates much about the world around them.

I am a firm believer that everyone should study the fundamental ideas that economics has to offer. One of the purposes of general education is to make people more informed about the world in order to make them better citizens. The study of economics, as much as any discipline, serves this goal. Writing an economics textbook is, therefore, a great honor and a great responsibility. It is one way that economists can help promote better government and a more prosperous future. As the great economist Paul Samuelson put it, "I don't care who writes a nation's laws, or crafts its advanced treaties, if I can write its economics textbooks."

BREVITY

To reach a wide audience, I felt that one characteristic of this book would be especially important: its length. If you turn to the end of this book, you will find that it is hundreds of pages shorter than many of the standard texts used to teach the principles of economics. Moreover, the page count has not been reduced by cramming as much as possible on each page. As I requested, the designers of the book have given it an open, uncluttered, and friendly look. Instead, brevity has been achieved by trying to present the principles of economics in the fewest words possible.

To explain this choice, I must make a confession: I am a slow reader. As a student, I rarely finished the readings I was assigned. I relied on Cliff's Notes an embarrassing number of times. I groaned whenever a professor gave the class a 1,000-page tome to read (together, of course, with ancillary articles). I took some solace in the fact that my reaction was not unique. The Greek poet Callimachus

put it succinctly: “Big book, big bore.” Callimachus made that observation in 250 B.C., so he was probably not referring to an economics textbook. But today his sentiment is echoed around the world every semester in the first lecture of many economics courses.

When I decided to write a text for the first course in economics, I wanted to write a book that as a student I would like to have read. My first and foremost goal, therefore, was brevity. I kept in mind a dictum from the great novelist Robertson Davies: “One of the most important things about writing is to boil it down and not bore the hell out of everybody.”

All textbooks on economics teach that resources are scarce, but few textbook writers remember that student time is one of those scarce resources. I have tried to respect that scarcity by avoiding the bells, whistles, and extraneous details that distract students from the key lessons. I hope this book lives up to the first word of its title, *Principles of Economics*.

ORIENTATION

To boil economics down to its essentials, I had to consider what is truly important for students to learn in their first course in economics. As a result, this book differs from others not only in its length but also in its orientation.

It is tempting for a professional economist writing a textbook to take the economist’s point of view and to emphasize those topics that fascinate him and other economists. I have done my best to avoid that temptation. I have tried to put myself in the position of someone seeing economics for the first time. My goal is to emphasize the material that *students* should and do find interesting about the study of the economy.

One result is that more of this book is devoted to applications and policy, and less is devoted to formal economic theory, than is the case with many other books written for the principles course. For example, after students learn about the market forces of supply and demand in Chapters 4 through 6, they immediately apply these tools in Chapters 7 through 9 to consider three important questions facing our society: Why is the free market a good way to organize economic activity? How does taxation interfere with the market mechanism? Who are the winners and losers from international trade? These kinds of questions resonate with the concerns and interests that students hear about in the news and bring from their own lives.

Throughout this book I have tried to return to applications and policy questions as often as possible. Most chapters include “Case Studies” illustrating how the principles of economics are applied. In addition, “In the News” boxes offer excerpts of newspaper articles showing how economic ideas shed light on the current issues facing society. It is my hope that after students finish their first course in economics, they will think about news stories from a new perspective and with greater insight.

ORGANIZATION

To write a brief and student-friendly book, I had to consider new ways to organize the material. This book includes all the topics that are central to a first course in economics, but the topics are not always arranged in the traditional order.

What follows is a whirlwind tour of this text. This tour will, I hope, give instructors some sense of how the pieces fit together.

Chapter 1, "Ten Principles of Economics," introduces students to the economist's view of the world. It previews some of the big ideas that recur throughout economics, such as opportunity cost, marginal decisionmaking, the role of incentives, the gains from trade, and the efficiency of market allocations. Throughout the book, I refer regularly to the *Ten Principles of Economics* in Chapter 1 to remind students that these principles are the foundation for most economic analysis. A building-blocks icon in the margin calls attention to these references.



Chapter 2, "Thinking Like an Economist," examines how economists approach their field of study. It discusses the role of assumptions in developing a theory and introduces the concept of an economic model. It also discusses the role of economists in making policy. The appendix to this chapter offers a brief refresher course on how graphs are used and how they can be abused.

Chapter 3, "Interdependence and the Gains from Trade," presents the theory of comparative advantage. This theory explains why individuals trade with their neighbors, as well as why nations trade with other nations. Much of economics is about how market forces coordinate the many individual production and consumption decisions that take place in the economy. As a starting point for this analysis, students see in this chapter why specialization, interdependence, and trade can benefit everyone.

The next three chapters introduce the basic tools of supply and demand. Chapter 4, "The Market Forces of Supply and Demand," develops the supply curve, the demand curve, and the notion of market equilibrium. Chapter 5, "Elasticity and Its Application," introduces the concept of elasticity and uses it to analyze events in three different markets. Chapter 6, "Supply, Demand, and Government Policies," uses these tools to examine price controls, such as rent-control and minimum-wage laws, and tax incidence.

Chapter 7, "Consumers, Producers, and the Efficiency of Markets," extends the analysis of supply and demand using the concepts of consumer surplus and producer surplus. It begins by developing the link between consumers' willingness to pay and the demand curve and the link between producers' costs of production and the supply curve. It then shows that the market equilibrium maximizes the sum of the producer and consumer surplus. In this book, therefore, students learn early about the efficiency of market allocations.

The next two chapters apply the concepts of producer and consumer surplus to questions of policy. Chapter 8, "Application: The Costs of Taxation," shows why taxation results in deadweight losses and what determines the size of those losses. Chapter 9, "Application: International Trade," considers who wins and who loses from international trade and presents the debate over protectionist trade policies.

Having examined why market allocations are often desirable, the book then considers how the government can sometimes improve on market allocations. Chapter 10, "Externalities," explains how external effects such as pollution can render market outcomes inefficient. It also discusses the possible public and private solutions to those inefficiencies. Chapter 11, "Public Goods and Common Resources," considers the inefficiencies that arise when goods, such as national defense, have no market price. Chapter 12, "The Design of the Tax System," describes how the government raises the revenue necessary to pay for public goods. It presents some institutional background about the U.S. tax system and

then discusses how the goals of efficiency and equity come into play in the design of a tax system.

The next five chapters examine firm behavior and industrial organization. Chapter 13, "The Costs of Production," discusses what to include in a firm's costs, and it introduces cost curves. Chapter 14, "Firms in Competitive Markets," analyzes the behavior of price-taking firms and derives the market supply curve. Chapter 15, "Monopoly," discusses the behavior of a firm that is the sole seller in its market. It discusses the inefficiency of monopoly pricing, the possible policy responses, and the attempts by monopolies to price discriminate. Chapter 16, "Oligopoly," covers markets in which there are only a few sellers and uses the prisoners' dilemma as the model for examining strategic interaction. Chapter 17, "Monopolistic Competition," looks at behavior in a market in which many sellers offer similar but differentiated products. It also discusses the debate over the effects of advertising.

The following three chapters present issues related to labor markets. Chapter 18, "The Markets for the Factors of Production," emphasizes the link between factor prices and marginal productivity. Chapter 19, "Earnings and Discrimination," discusses the determinants of equilibrium wages, including compensating differentials, human capital, and discrimination. Chapter 20, "The Distribution of Income," examines the degree of inequality in U.S. society, the alternative views about the government's role in changing the distribution of income, and the various policies aimed at helping society's poorest members.

Chapter 21, "The Theory of Consumer Choice," analyzes individual decisionmaking using budget constraints and indifference curves. It covers material that is somewhat more advanced than the rest of the book. Some instructors may want to skip this chapter, depending on the emphases of their courses and the interests of their students. Instructors who do cover this material may want to do so earlier, and I have written this chapter so that it can be covered anytime after the basics of supply and demand have been introduced.

Beginning in Chapter 22, the book turns to the topics of macroeconomics. This coverage starts with issues of measurement. Chapter 22, "Measuring a Nation's Income," discusses the meaning of gross domestic product and related statistics from the national income accounts. Chapter 23, "Measuring the Cost of Living," discusses the measurement and use of the consumer price index.

The next three chapters describe the behavior of the real economy in the long run over which wages and prices are flexible. Chapter 24, "Production and Growth," examines the determinants of the large variation in living standards over time and across countries. Chapter 25, "Saving, Investment, and the Financial System," discusses the types of financial institutions in our economy and examines the role of these institutions in allocating resources. Chapter 26, "The Natural Rate of Unemployment," considers the long-run determinants of the unemployment rate, including minimum-wage laws, the market power of unions, the role of efficiency wages, and the efficacy of job search.

Having described the long-run behavior of the real economy, the book then turns to the long-run behavior of money and prices. Chapter 27, "The Monetary System," introduces the economist's concept of money and the role of the central bank in controlling the quantity of money. Chapter 28, "Inflation: Its Causes and Costs," develops the link between money growth and inflation and discusses the social costs of inflation.

The next two chapters present the macroeconomics of open economies. Chapter 29, "Open-Economy Macroeconomics: Basic Concepts," explains the

relationship among saving, investment, and the trade balance, the distinction between the nominal and real exchange rate, and the theory of purchasing-power parity. Chapter 30, "A Macroeconomic Theory of the Open Economy," presents a classical model of the international flow of goods and capital. The model sheds light on various issues, including the link between budget deficits and trade deficits and the macroeconomic effects of trade policies. Because instructors differ in how much they emphasize this material, these chapters were written so they could be used in different ways. Some instructors may choose to cover Chapter 29 but not Chapter 30; others may skip both chapters; and others may choose to defer the analysis of open-economy macroeconomics until the end of their courses.

After fully developing the long-run theory of the economy in Chapters 24 through 30, the book turns its attention to explaining short-run fluctuations around the long-run trend. This organization simplifies the teaching of the theory of short-run fluctuations because, at this point in the course, students have a good grounding in many basic macroeconomic concepts. Chapter 31, "Aggregate Demand and Aggregate Supply," begins with some facts about the business cycle and then introduces the model of aggregate demand and aggregate supply. Chapter 32, "The Influence of Monetary and Fiscal Policy on Aggregate Demand," explains how policymakers can use the tools at their disposal to shift the aggregate-demand curve. Chapter 33, "The Short-Run Tradeoff between Inflation and Unemployment," explains why policymakers who control aggregate demand face a tradeoff between inflation and unemployment. It examines why this tradeoff exists in the short run, why it shifts over time, and why it does not exist in the long run.

The book concludes with Chapter 34, "Five Debates over Macroeconomic Policy." This capstone chapter considers five controversial issues facing policymakers: the proper degree of policy activism in response to the business cycle, the choice between rules and discretion in the conduct of monetary policy, the desirability of reaching zero inflation, the importance of balancing the government's budget, and the need for tax reform to encourage saving. For each issue, the chapter presents both sides of the debate and encourages students to make their own judgments.

LEARNING TOOLS

The purpose of this book is to help students learn the fundamental lessons of economics and to show students how those lessons can be applied to the world in which they live. Toward that end, I have used various learning tools that recur throughout the book.

- ◆ **Chapter Objectives** Every chapter begins with a list of the chapter's primary objectives to give students a sense of where the chapter is heading. Each list has been kept brief in order to help students stay focused on the four or five key lessons presented in that chapter.
- ◆ **Case Studies** Economic theory is useful and interesting only if it can be applied to understand actual events and policies. This book, therefore, contains numerous case studies that apply the theory that has just been developed.

- ◆ **In the News Boxes** One benefit from studying economics is that it gives students a new perspective and greater understanding about news from around the world. To highlight this benefit, I have included excerpts from many newspaper articles. These articles, together with my brief introductions, show how basic economic theory can be applied. Some of these articles are opinion columns written by prominent economists.
- ◆ **FYI Boxes** These boxes provide additional material “for your information.” Some of them give a glimpse into the history of economic thought. Others clarify difficult technical issues. Still others discuss supplementary topics that instructors might choose either to discuss or skip in their lectures.
- ◆ **Definitions of Key Concepts** When key concepts are introduced in the chapter, they are presented in **bold** typeface. In addition, their definitions are placed in the margins. This treatment should aid students in learning and reviewing the material.
- ◆ **Quick Quizzes** After each major section, students are offered a “quick quiz” to check their comprehension of what they have just learned. If students cannot readily answer these quizzes, they should stop and reread the material before continuing.
- ◆ **Chapter Summaries** Each chapter ends with a brief summary that reminds students of the most important lessons that they have just learned. Later in their studying it offers them an efficient way to review for exams.
- ◆ **List of Key Concepts** A list of key concepts at the end of each chapter allows students to test their understanding of the new terms that have been introduced. Page references are included so students can review the terms they do not understand.
- ◆ **Questions for Review** At the end of each chapter are questions for review that test the chapter’s primary lessons. Students can use these questions to check their comprehension after finishing a chapter and to prepare for exams.
- ◆ **Problems and Applications** Each chapter also contains a variety of problems and applications that ask students to apply the material they have learned. Some professors may use these questions for homework assignments. Others may use them as a starting point for classroom discussions.

SUPPLEMENTS

The Dryden Press offers a variety of supplements for instructors and students who use this book. The goal of these ancillary resources is to provide an integrated package that makes teaching the principles of economics easy for the professor and learning them easy for the student. A. Andrew John (University of Virginia), an excellent economist and economics teacher, helped oversee the development of these materials.

The Dryden Press provides copies of these supplements free of charge to those instructors qualified under its adoption policy. Please contact your sales representative to learn how you may qualify, or call The Dryden Press at 1-800-237-2665.

For the Instructor

Teaching the principles of economics can be a demanding job. Often, classes are large and teaching assistants in short supply. The supplements designed for the instructor make that job less demanding and more fun.

- ◆ **Test Bank** Christopher Fawson and Dwight Israelsen (both of Utah State University) have prepared a test bank to accompany this text. The test bank contains 6,500 test questions consisting of multiple-choice questions and a large number of class-tested conceptual questions and problems. For the instructor's convenience, every question in the test bank is identified according to the chapter "Learning Objective" the question covers, the chapter section in which the material is covered, the level of difficulty, and the type of question (multiple-choice, true-false, short answer, critical thinking, definition, or graphical). Answers immediately follow each question.
- ◆ **Computerized Test Bank** The Dryden Press also offers a computerized version of the test bank (EXAMaster+) for IBM and Macintosh users. This software has many features that facilitate test preparation, scoring, and grade recording. It also offers great flexibility. The order of test questions can be altered to create different versions of any given test, and it is easy to modify questions and reproduce any of the graphing questions to meet the instructor's needs.
- ◆ **Instructor's Resource Manual with Adjunct & Teaching Assistant Guide** William T. Harris (University of Delaware) and Carolyn T. Bodkin (Trident Technical College) have written an instructor's manual aimed at helping both experienced and novice instructors prepare their lectures. Harris has written lecture notes for every chapter in this book. These notes briefly summarize the text material and provide additional examples and applications. Bodkin's adjunct and teaching assistant guide offers extensive outlines of every chapter, even more examples, and classroom warm-up activities to help introduce chapter topics.
- ◆ **Electronic Instructor's Resource Manual** The entire *Instructor's Resource Manual* is also available in an electronic format (for Windows). Using these electronic files, instructors can create their own lecture notes or incorporate parts of the *Instructor's Resource Manual* into their PowerPoint presentations.
- ◆ **Solutions Manual** Dean Croushore (Federal Reserve Bank of Philadelphia) has written a solutions manual that contains complete solutions for all the "Questions for Review" and "Problems and Applications" found in the text. The entire manual is three-hole punched and perforated to make it easier for the instructor to hand out solutions to students.
- ◆ **PowerPoint Presentation** Steve McGary (Ricks College) has developed a computer-based PowerPoint slide show that can save professors time as they prepare for class. This supplement covers all the essential topics presented in each chapter of this book. Graphs, tables, lists, and concepts are developed sequentially, much as one might develop them on a blackboard. Additional examples and applications, pulled from the *Instructor's Resource Manual*, are used to reinforce major lessons. The slides are crisp, clear, and colorful. Instructors may adapt or add slides to customize their lectures.

- ◆ **Web Site** Robert Rycroft (Mary Washington College) has helped The Dryden Press develop a Web site to accompany this text. To appreciate this resource, we invite you to visit the site at <http://www.dryden.com/econ>. The ever-evolving Web site is both a teaching and economic research tool, with separate areas for students and instructors. Students visiting this page can learn from tutorials featuring interactive graphs, access a page of economic indicators, follow links relevant to each chapter, find out about career opportunities, and test their knowledge with our on-line quizzes. Instructors will be able to search a bank of news summaries and comprehension questions, download the instructor's resource material, and share ideas with others who are using this textbook.
- ◆ **Classroom Activities, Demonstrations, and Games for Principles of Economics** Charles A. Stull (Kalamazoo College) has written a supplement that helps instructors interested in incorporating "cooperative learning" and "learning by experiment" exercises in their courses. This supplement contains over 50 games, classroom experiments, in-class demonstrations, and take-home and in-class assignments. Each activity is linked to a specific text chapter and lists the type of activity, topics covered, materials list, time required for completion, and classroom limitations. Thorough directions are provided for the instructor. For the instructor's convenience, the supplement is three-hole punched and perforated, and all pages are designed for easy overhead use and photocopying. The activities supplement is also available on the Web site.
- ◆ **The "Ten Principles" Video Set** The Dryden Press has commissioned and produced ten video segments that illustrate the *Ten Principles of Economics* introduced in Chapter 1. Instructors can show these videos as an interesting and visually appealing introduction to topics. Questions for use with the videos will be available.
- ◆ **Overhead Transparencies** For instructors who do not want to use PowerPoint presentations, overhead transparency acetates are available. These overhead transparencies consist of figures and tables from the text, allowing instructors to build text images into their lectures. Some of the more complex acetates are layered to show what happens graphically when curves shift.

For the Student

The Dryden Press makes supplements available for students who are studying the principles of economics. These supplements reinforce the basic lessons taught in this book and offer opportunities for additional practice and feedback.

- ◆ **Student Study Guide** David R. Hakes (University of Northern Iowa) and Robert Harris (Indiana University–Purdue University at Indianapolis) have written a study guide that provides students with a useful summary and review of the important concepts presented in the text. Each study guide chapter includes a chapter overview, a chapter review, helpful hints, and definitions. Students can test their understanding of the material with practice problems and a chapter self-test. Solutions to all study guide problems follow each chapter.
- ◆ **TAG: Tutorial-Analytical-Graphical Student Software** Andrew Foshee (McNeese State University) has customized for this book