

brief contents

Thinking Like an Economist

Part 1 The Power of Economics 1

- 1 Economics and Life 3
- 2 Specialization and Exchange 25

Part 2 Supply and Demand 47

- 3 Markets 49
- 4 Elasticity 79
- 5 Efficiency 103
- 6 Government Intervention 129

Microeconomics: Thinking Like a Microeconomist

Part 3 Individual Decisions 163

- 7 Consumer Behavior 165
- 8 Behavioral Economics: A Closer Look at Decision Making 189
- 9 Game Theory and Strategic Thinking 203
- 10 Information 229
- 11 Time and Uncertainty 245

The work of these economists has inspired us, and we hope that examples of their work will help students find new connections—and maybe even some new real models—in economics.

Throughout the text, we have worked hard to inspire students. Microeconomics is sometimes dry. The field can be dry and technical—and this often leads to boredom. But it doesn't have to be that way.

We've aimed at a casual tone, imagining that we're having a conversation with students, who don't care about abstract theory. We've used down-to-earth situations and personal examples that resonate with student readers. For example:

• If you understand price elasticity and how it applies to you, you can save money on plane tickets.

• Whether the cost of college is worth it, (spoiler: it probably is)

Teachers know the value of a good story, one that connects economic concepts to real-world issues in the world. In this text, we've woven real stories into the possibilities—in the form of every chapter's "In the News" examples and references throughout the chapters. For example, Chapter 2 uses the cell phone market to illustrate supply and demand, and Chapter 4 uses the price of a date to demonstrate elasticity. We employ economic tools as a way of explaining real people and their decisions.

We then layer policy implications into the discussions of demand and supply variables. For example, in Chapter 1, the idea of opportunity cost is first introduced as a general example of whether to spend the evening having dinner with friends. We then apply the concept of opportunity cost to the decision of whether to go to the movies or stay home.

Part 4 Firm Decisions 265

- 12 The Costs of Production 267
- 13 Perfect Competition 293
- 14 Monopoly 323
- 15 Monopolistic Competition and Oligopoly 353
- 16 The Factors of Production 383
- 17 International Trade 419

Part 5 Public Economics 449

- 18 Externalities 451
- 19 Public Goods and Common Resources 477
- 20 Taxation and the Public Budget 497
- 21 Poverty, Inequality, and Discrimination 525
- 22 Political Choices 563
- 23 Public Policy and Choice Architecture 585