

---

# CONTENTS

---

To the Student	vii
Note to Students Using the Paperbacks <i>Microeconomics</i> and <i>Macroeconomics</i>	ix

## **PART ONE** BASIC CONCEPTS

---

1 Introduction	1
<i>Appendix 1 How to Read Graphs</i>	6
2 Basic Problems of Economic Organization	17
3 Markets and Government in a Modern Economy	31
4 Basic Elements of Supply and Demand	39

## **PART TWO** MICROECONOMICS: SUPPLY, DEMAND, AND PRODUCT MARKETS

---

5 Supply and Demand in Individual Markets	53
6 Demand and Consumer Behavior	67
<i>Appendix 6 Geometric Analysis of Consumer Equilibrium</i>	77
7 Production and Business Organization	85
8 Analysis of Costs	95
<i>Appendix 8 Production, Cost Theory, and Decisions of the Firm</i>	108
9 Supply and Pricing in Competitive Markets	115
<i>Appendix 9 Special Cases of Competitive Markets: Supply and Demand at Work</i>	129
10 Marginal Revenue and Monopoly	135
11 Oligopoly and Monopolistic Competition	145
12 Uncertainty and Games in Economic Behavior	155

## **PART THREE** WAGES, RENT, AND PROFITS: THE DISTRIBUTION OF INCOME

---

13 Incomes and the Pricing of Factors of Production	165
14 Wages and the Labor Market	175

15	Labor Unions and Collective Bargaining	185
16	Land, Natural Resources, and Capital	193

#### **PART FOUR** EFFICIENCY, EQUITY, AND GOVERNMENT

---

17	Markets and Economic Efficiency	209
18	Government and the Economy	217
19	Government Taxation and Expenditure	229
20	Curbing Market Power: Regulation and Antitrust Policies	239
21	Income Distribution and the Struggle against Poverty	247
22	The Winds of Change: The Triumph of the Market	261

#### **PART FIVE** FUNDAMENTAL CONCEPTS OF MACROECONOMICS

---

23	Overview of Macroeconomics	269
24	Measuring National Output and Income	279
25	Consumption and Investment	289
26	Fundamentals of Aggregate Supply and Demand	303
27	The Multiplier Model	313
28	Money and Commercial Banking	329
	<i>Appendix 28 Stock Market Fluctuation</i>	343
29	Central Banking and Monetary Policy	347

#### **PART SIX** AGGREGATE SUPPLY AND MACROECONOMIC POLICY

---

30	Economic Growth	361
31	Business Cycles and Unemployment	371
32	The Cost of Inflation	381
33	Inflation and Unemployment	391
34	Fiscal Policy, Deficits, and the Government Debt	401
35	Issues in Economic Stabilization	409

#### **PART SEVEN** INTERNATIONAL TRADE AND THE WORLD ECONOMY

---

36	International Trade and the Theory of Comparative Advantage	419
37	Protectionism and Free Trade	433
38	The Economics of Developing Countries	441
39	Exchange Rates and the International Financial System	449

	Answers to Quiz Questions: Multiple Choice	457
--	--------------------------------------------	-----