

# Contents

[List of Figures](#)

[List of Tables](#)

[List of Boxes](#)

[List of Online Appendices](#)

[About the Authors](#)

[Preface](#)

[Acknowledgments](#)

[Sample Course Outlines](#)

## **Part I The Context for Economic Analysis**

### **0 ECONOMICS AND WELL-BEING**

### **1 ECONOMIC ACTIVITY IN CONTEXT**

#### **1. OUR STARTING POINT**

#### **2. THE GOALS OF AN ECONOMY**

##### **2.1 TRADITIONAL ECONOMIC GOALS**

##### **2.2 MOVING BEYOND THE TRADITIONAL GOALS**

#### **3. THE ISSUES THAT DEFINE ECONOMICS**

##### **3.1 THE FOUR ESSENTIAL ECONOMIC ACTIVITIES**

##### **3.2 THE THREE BASIC ECONOMIC QUESTIONS**

#### **4. ECONOMIC TRADEOFFS**

##### **4.1 SOCIETY'S PRODUCTION-POSSIBILITIES FRONTIER**

##### **4.2 TRADEOFFS OVER TIME**

### **2 FOUNDATIONS OF ECONOMIC ANALYSIS**

#### **1. OUR TOOLS FOR UNDERSTANDING**

#### **2. DIFFERENT ECONOMIC THEORIES: EXAMPLES OF TWO BASIC MODELS**

##### **2.1 THE BASIC NEOCLASSICAL MODEL**

## 2.2 THE CONTEXTUAL MODEL

### 3. THE ROLE OF MARKETS

#### 3.1 THE MEANING OF MARKETS

#### 3.2 THE INSTITUTIONAL REQUIREMENTS OF MARKETS

#### 3.3 TYPES OF MARKETS

#### 3.4 THE ADVANTAGES AND LIMITATIONS OF MARKETS

#### 3.5 ASSESSING MARKET OUTCOMES

## Part II Microeconomic Analysis: Consumption, Production, and Markets

### 3 SUPPLY AND DEMAND

#### 1. INTRODUCTION TO THE MICROECONOMIC MARKET MODEL

#### 2. THE THEORY OF SUPPLY

##### 2.1 THE SUPPLY SCHEDULE AND SUPPLY CURVE

##### 2.2 CHANGES IN SUPPLY

#### 3. THE THEORY OF DEMAND

##### 3.1 THE DEMAND SCHEDULE AND DEMAND CURVE

##### 3.2 CHANGES IN DEMAND

#### 4. THE THEORY OF MARKET ADJUSTMENT

##### 4.1 SURPLUS, SHORTAGE, AND EQUILIBRIUM

##### 4.2 MARKET FORCES AND OTHER CONSIDERATIONS

##### 4.3 SHIFTS IN SUPPLY AND DEMAND

#### 5. ELASTICITY

##### 5.1 THE PRICE ELASTICITY OF DEMAND

##### 5.2 MEASURING ELASTICITY

##### 5.3 DEMAND ELASTICITY APPLICATIONS

##### 5.4 PRICE ELASTICITY OF SUPPLY

##### 5.5 INCOME ELASTICITY OF DEMAND

### 4 CONSUMPTION AND DECISION-MAKING

#### 1. HISTORICAL PERSPECTIVES ON ECONOMIC BEHAVIOR

#### 2. THE NEOCLASSICAL THEORY OF CONSUMER BEHAVIOR

##### 2.1 CONSUMER SOVEREIGNTY

##### 2.2 THE BUDGET LINE

##### 2.3 CONSUMER UTILITY

### 3. BEHAVIORAL ECONOMICS

3.1 THE ROLE OF CONTEXT IN ECONOMIC DECISIONS

3.2 THE ROLE OF TIME IN ECONOMIC DECISIONS

3.3 THE ROLE OF EMOTIONS IN ECONOMIC DECISIONS

3.4 SELFISHNESS AND ALTRUISM

3.5 INSIGHTS FROM NEUROECONOMICS

3.6 CONSUMER BEHAVIOR IN CONTEXTUAL ECONOMICS

### 4. CONSUMPTION IN SOCIAL CONTEXT

4.1 SOCIAL COMPARISONS

4.2 ADVERTISING

4.3 PRIVATE VERSUS PUBLIC CONSUMPTION

4.4 VOLUNTARY SIMPLICITY

### 5. CONSUMPTION IN AN ENVIRONMENTAL CONTEXT

5.1 THE LINK BETWEEN CONSUMPTION AND THE ENVIRONMENT

5.2 GREEN CONSUMERISM

### 6. POLICY INFERENCES FROM OUR MODEL OF CONSUMER BEHAVIOR

6.1 PREDICTABLE IRRATIONALITY AND NUDGES

6.2 CONSUMPTION AND PUBLIC POLICY

## 5 PRODUCTION

### 1. AN OVERVIEW OF PRODUCTION

1.1 THE GOALS OF PRODUCTION

1.2 AN ECONOMIC PERSPECTIVE ON PRODUCTION

### 2. TYPES OF PRODUCTION COSTS

2.1 FIXED VERSUS VARIABLE COSTS

2.2 ACCOUNTING VERSUS ECONOMIC COSTS

2.3 PRIVATE VERSUS EXTERNAL COSTS

### 3. THE PRODUCTION FUNCTION

3.1 THINKING ABOUT INPUTS AND OUTPUTS

3.2 GRAPHING PRODUCTION FUNCTIONS

3.3 PRODUCTION IN THE SHORT RUN

### 4. PRODUCTION COSTS

4.1 PRODUCTION COSTS IN THE SHORT RUN

4.2 PRODUCTION COSTS IN THE LONG RUN