

# Microeconomics *for* Today

7e



Irvin B. Tucker





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7TH EDITION

# MICROECONOMICS *for* Today

IRVIN B. TUCKER  
UNIVERSITY OF NORTH CAROLINA CHARLOTTE



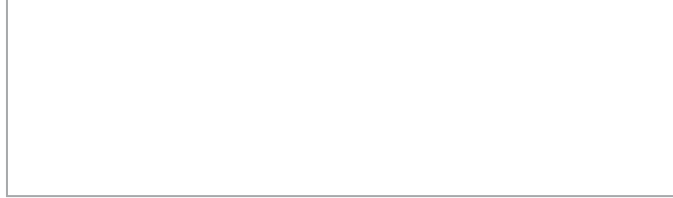
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# About the Author

## IRVIN B. TUCKER

Irvin B. Tucker has over thirty years of experience teaching introductory economics at the University of North Carolina Charlotte. He earned his B.S. in economics at N.C. State University and his M.A. and Ph.D. in economics from the University of South Carolina. Dr. Tucker is former director of the Center for Economic Education at the University of North Carolina Charlotte and a longtime member of the National Council on Economic Education. He is recognized for his ability to relate basic principles to economic issues and public policy. His work has received national recognition by being awarded the Meritorious Levy Award for Excellence in Private Enterprise Education, the Federation of Independent Business Award for Postsecondary Educator of the Year in Entrepreneurship and Economic Education, and the Freedom Foundation's George Washington Medal for Excellence in Economic Education. In addition, his research has been published in numerous professional journal articles on a wide range of topics including industrial organization, entrepreneurship, and economics of education. Dr. Tucker is also the author of the highly successful *Survey of Economics*, seventh edition, a text for the one-semester principles of economics courses, published by Cengage South-Western Publishing.

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# Available Versions

Conversion Table for the Four Versions of this Text

<i>Economics for Today</i>	<i>Economics for Today</i>	<i>Macroeconomics for Today</i>	<i>Microeconomics for Today</i>	<i>Survey of Economics</i>	
1	Introducing the Economic Way of Thinking	X	X	X	X
2	Production Possibilities, Opportunity Cost, and Economic Growth	X	X	X	X
3	Market Supply and Demand	X	X	X	X
4	Markets in Action	X	X	X	X
5	Price Elasticity of Demand and Supply	X		X	X
6	Consumer Choice Theory	X		X	
7	Production Costs	X		X	X
8	Perfect Competition	X		X	X
9	Monopoly	X		X	X
10	Monopolistic Competition and Oligopoly	X		X	X
11	Labor Markets	X		X	X
12	Income Distribution, Poverty, and Discrimination	X		X	X
13	Antitrust and Regulation	X		X	
14	Environmental Economics	X		X	
15	Gross Domestic Product	X	X		X
16	Business Cycles and Unemployment	X	X		X
17	Inflation	X	X		X
18	The Keynesian Model	X	X		
19	The Keynesian Model in Action	X	X		
20	Aggregate Demand and Supply	X	X		X
21	Fiscal Policy	X	X		X
22	The Public Sector	X	X		X
23	Federal Deficits, Surpluses, and the National Debt	X	X		X
24	Money and the Federal Reserve System	X	X		X
25	Money Creation	X	X		X
26	Monetary Policy	X	X		X
27	The Phillips Curve and Expectations Theory	X	X		
28	International Trade and Finance	X	X	X	X
29	Economies in Transition	X	X	X	X
30	Growth and the Less-Developed Countries	X	X	X	X

Note: Chapter numbers refer to the complete book, *Economics for Today*

## TEXT WITH A MISSION

The purpose of *Economics for Today*, Seventh Edition, is to teach, in an engaging style, the basic operations of the U.S. economy to students who will take a two-term economics course. Rather than taking an encyclopedic approach to economic concepts, *Economics for Today* focuses on the most important tool in economics—supply and demand analysis—and applies it to clearly explain real-world economic issues.

Every effort has been made to make *Economics for Today* the most “student friendly” text on the market. This text was written because so many others expose students to a confusing array of economic analyses that force students to simply memorize in order to pass the course. Instead, *Economics for Today* presents a straightforward and unbiased approach that effectively teaches the application of basic economic principles. After reading this text, the student should be able to say “now that economics stuff in the news makes sense.”

## HOW IT FITS TOGETHER

The text presents the core principles of microeconomics, macroeconomics, and international economics. The first 14 chapters introduce the logic of economic analysis and develop the core of microeconomic analysis. Here students learn the role of demand and supply in determining prices in competitive versus monopolistic markets. This part of the book explores such issues as minimum wage laws, rent control, and pollution. The next 13 chapters develop the macroeconomics part of the text. Using the modern, yet simple, aggregate demand and aggregate supply model, the text explains measurement of and changes in the price level, national output, and employment in the economy. The study of macroeconomics also includes how the supply of money and the demand for money influence the economy. Finally, the text concludes with three chapters devoted entirely to global issues. For example, students will learn how the supply of and demand for currencies determine exchange rates and what the complications of a strong or a weak dollar are.

## TEXT FLEXIBILITY

The full version of *Economics for Today* is easily adapted to an instructor’s preference for the sequencing of microeconomics and macroeconomics topics. The text can be used in a macroeconomic–microeconomic sequence by teaching

the first four chapters and then Parts 5 through 7. Next, microeconomics is covered in Parts 2 through 4. Finally, the course can be completed with Part 8, consisting of three chapters devoted to international economics.

An important design of this text is that it accommodates the two camps for teaching principles of macroeconomics: (1) those who cover both the Keynesian Cross and *AD/AS* models and (2) those who skip the Keynesian model and cover only the *AD/AS* model. For instructors who prefer the former model sequence, *Economics for Today* moves smoothly in Chapters 18–19 (8–9) from the Keynesian model (based on the Great Depression) to the *AD/AS* model in Chapter 20 (10). For instructors using the latter approach, this text is written so that instructors can skip the Keynesian model in Chapters 18–19 (8–9) and proceed from Chapter 17 (7) to Chapter 20 (10) without losing anything. For example, the spending multiplier is completely covered both in the Keynesian and *AD/AS* model chapters.

For instructors who wish to teach the self-correcting *AD/AS* model, emphasis can be placed on the appendixes to Chapters 20 (10) and 26 (16). Instructors who choose not to cover this model can simply skip these appendixes. In short, *Economics for Today* provides more comprehensive and flexible coverage of macroeconomics models than is available in other texts. Also, a customized text might meet your needs. If so, contact your South-Western/Cengage Learning sales representative for information.

## HOW NOT TO STUDY ECONOMICS

To some students, studying economics is a little frightening because many chapters are full of graphs. Students often make the mistake of preparing for tests by trying to memorize the lines of graphs. When their graded tests are returned, the students using this strategy will probably exclaim, “What happened?” The answer to this query is that the students should have learned the economic concepts *first*; then they would understand the graphs as *illustrations* of these underlying concepts. Stated simply, superficial cramming for economics quizzes does not work.

For students who are anxious about using graphs, the appendix to Chapter 1 provides a brief review of graphical analysis. In addition, the *Graphing Workshop* and *Study Guide* contain step-by-step features on how to interpret graphs.

## CHANGES TO THE SEVENTH EDITION

The basic layout of the seventh edition remains the same. The following are changes:

- Chapter 1 recognizes that students taking introductory college-level economics courses are considering their major. One reason to select

economics is that the average starting salary for an undergraduate economics major is higher compared to many other majors. To aid their decision, current average starting salary figures for selected majors have been provided.

- Chapter 9 on Monopoly presents a new concept, network good, which updates this chapter by linking economies of scale and monopoly power to the popular Facebook and Match.com Web sites.
- Chapter 12 on Income Distribution, Poverty, and Discrimination has been updated with the latest figures on family income distribution and poverty rates. In addition, the feature articles on Social Security and fair pay for females have been updated. These are all timely features that generate great interest for students.
- Chapter 14 on Environmental Economics is among today's highly controversial issues. This issue is addressed by new Global Economics features titled "How Should Carbon Emissions Be Reduced: Cap and Trade or Carbon Taxes?" and "Why Is the Climate Change Problem So Hard to Solve?" The Analyze the Issue sections that accompany these features give students an opportunity to participate in this important environmental debate.
- Chapter 17 on Inflation updates data on inflation and the You're the Economist feature on "How Much More Does It Cost to Laugh?" In addition, a new Checkpoint titled "What Is the Real Price of Gasoline?" is added that provides an application for adjusting the price of gasoline for inflation over time. And here students enjoy learning how to convert Babe Ruth's 1932 salary into today's dollars.
- Chapter 20(10) on Aggregate Demand and Supply has been revised to provide a unique, complete, unbiased, and realistic comparison of the Keynesian and self-correction macroeconomic models in contrast to texts that present only or primarily the self-correction model. To enhance student understanding and interest, updated actual CPI and real GDP numbers are used throughout rather than generic  $P_s$  and  $Q_s$ . For example, a new exhibit is added that explains with actual data how decreases in aggregate demand during the current recession caused a movement along the flat Keynesian range of the aggregate supply curve with the CPI constant. Here students can clearly visualize and comprehend the Keynesian argument against the classical school that prices and wages are inflexible downward.
- The appendix to Chapter 20(10) fully develops and explains the opposing self-correction model based on downward flexibility of prices and wages and a downward shifting short-run aggregate supply curve. Only by providing a complete presentation of both the Keynesian and self-correction models can the student understand the current macroeconomic public policy debate.

- Chapter 21(11) on Fiscal Policy also uses realism as its hallmark by explaining the stimulus package and the spending multiplier process with real-world updated numbers.
- Chapter 22(12) on The Public Sector highlights the important current issue of the changing economic character of the United States with global comparisons to other countries. Here, for example, updated data traces the growth of U.S. government expenditures and taxes since the Great Depression. And U.S. spending and taxation are compared to other countries. An explanation of the Value Added Tax (VAT) has been added to the You're the Economist feature discussion of the flat tax and national sales tax.
- Chapter 23(13) on Federal Deficits, Surpluses, and the National Debt focuses on the current "hot button" issue of federal deficits and the national debt using updated data and exhibits. This chapter now includes a discussion of the "PayGo" rule and a new exhibit giving a global comparison of the national debt as a percentage of GDP. The current financial crisis in Greece is included in the chapter debate over the consequences of the U.S. national debt.
- Chapter 26(16) on Monetary Policy has been updated using actual data in the model that link changes in the money supply and changes in the aggregate demand curve required to restore the economy to full employment. Students' interest is enhanced by adding a set of exhibits comparing monetary policy during the Great Depression to monetary policy during the current Great Recession.
- The final three chapters of the text are the international chapters, and each has been updated. For example, the chapter on International Trade and Finance explains the recent sharp decline in the U.S. balance of trade. The chapter on Economies in Transition contrasts privatization in Cuba, Russia, and China to recent nationalization in the United States. And the chapter on Growth and the Less-Developed Countries presents updated data used to explain, for example, the link between economic freedom and quality-of-life indicators.
- New lecture PowerPoint® slides have been developed by the author and tested in his classroom.

## ALTERNATE VERSIONS OF THE BOOK

For instructors who wish to spend various amounts of time for their courses and offer different topics of this text:

- *Economics for Today*. This complete version of the book contains all 30 chapters. It is designed for two-semester introductory courses that cover both microeconomics and macroeconomics.

- *Microeconomics for Today*. This version contains 17 chapters and is designed for one-semester courses in introductory microeconomics.
- *Macroeconomics for Today*. This version contains 20 chapters and is designed for one-semester courses in introductory macroeconomics.
- *Survey of Economics*. This version of the book contains 23 chapters. It is designed for one-semester courses that cover the basics of both microeconomics and macroeconomics.

The accompanying table shows precisely which chapters are included in each book.

Instructors who wish more information about these alternative versions should contact their local South-Western/Cengage Learning representative.

## MOTIVATIONAL PEDAGOGICAL FEATURES

*Economics for Today* strives to motivate and advance the boundaries of pedagogy with the following features:

### Part Openers

Each part begins with a statement of the overall mission of the chapters in the part. In addition, there is a nutshell introduction of each chapter in relation to the part's learning objective.

### Chapter Previews

Each chapter begins with a preview designed to pique the student's interest and reinforce how the chapter fits into the overall scheme of the book. Each preview appeals to the student's "Sherlock Holmes" impulses by posing several economics puzzles that can be solved by understanding the material presented in the chapter.

### Margin Definitions and Flashcards

Key concepts introduced in the chapter are highlighted in bold type and then defined with the definitions again in the margins. This feature therefore serves as a quick reference. Key terms are also defined on the Tucker Web site with a Flashcard feature that is great for learning terms.



### You're the Economist

Each chapter includes boxed inserts that provide the acid test of "relevance to everyday life." This feature gives the student an opportunity to encounter timely, real-world extensions of economic theory. For example, students read about



- [Good Germs, Bad Germs: Health and Survival in a Bacterial World book](#)
- [Stockholm Noir online](#)
- [read online La Mauvaise mÃ"re](#)
- [read \*The Billionaire's Vinegar: The Mystery of the World's Most Expensive Bottle of Wine\*](#)
  
- <http://econtact.webschaefer.com/?books/Beginning-Windows-Phone-App-Development.pdf>
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