INDEX

A

Abandoned boats, economic health indicator, 144a
Academic writers, 238a
Acquisition, definition, 268, 457
Actual reserves, definition, 206, 453
Adams, Walter, 362
Adaptive expectations, definition, 246
Aggregate demand (AD)
change, 236
classical economics, 237f
curve, 244–245
graph, 244f
increase, example, 237
manipulation, 246
new classical economics model, 244–245
chart, 244f
Aggregate spending (total spending), 123–138
definition, 461
summary, 136–138
Aggregate supply (AS)
classical economics, 237f
manipulation, 246
new classical economics model, 245–246
American Needle, Inc. v. National Football League et al., 366a
Antitrust case, accused (impact), 333
Antitrust enforcement, 362–370
definition, 362
examination, 371a
Antitrust laws, 363–370
administration, 363
definition, 362, 453
Antitrust penalties, 368
Assets
appreciation, 96
definition, 186, 453
value, change, 94
Assumptions, 10–11
definition, 10, 453
Attempts to monopolize, definition, 362, 458
Automated Clearing House (ACH) network, definition, 191, 453
Automatic fiscal policy (automatic stabilization), 160–161
definition, 160, 453
Automotive Products Trade Act, 422
Availabilities, buyer expectations, 64
Average fixed cost, definition, 453
Averages, calculation, 320
Average total cost (ATC), 323t. See also Long-run average total cost curve, 337
definition, 315, 316t, 453
example, 315t, 319t
patterns, 318–319
Average values, marginal values (relationship), 319
Average variable cost, definition, 453
B
Bagels
demand, examples, 54t, 56f, 57t, 58f
demand/supply, examples, 60t, 61f
Balanced budget, definition, 162, 453
Balance of trade. See U.S. balance of trade deficit, definition, 443
definition, 443, 453
surplus, definition, 443, 453
Balances. See International financial transactions/balances
Bank holding company definition, 453
eexample, 269f
Banking. See Branch banking:
Correspondent banking; Interstate banking; Shadow banking
organization, size (determination), 194
system. See Dual banking system
excess reserves, increase, 210
regulations. Congressional enactment (discussion), 196
Bankruptcy-prone position, 185
Banks. See Federal Reserve; National banks; State banks
excess reserve
increase, example, 208
loan-making capability, 208
failures, 185–186
increase, 186
regulation, 185
reserve
account, changes, 192
calculations, example, 207t
Bargaining. See Collective bargaining
power, inequality, 398
Barriers to entry, definition, 334, 453
Barter, definition, 31, 453
Barter system, 178
definition, 178, 453
Base year, definition, 99, 453
Basic economic decisions
definition, 30, 453
economic systems, relationship, 30–31, 31f
scarcity, relationship, 31f
BEA. See Bureau of Economic Analysis
Behavior, maximization, 298–299
Benefits. See Marginal benefit; Total benefit balancing (businesses), 287–290
balancing (individuals), 278–286
case study, 304–305
defining, 278–279, 287
discussion questions, 303–304

graphing, 285, 286f
measurement, 279–281
review questions, 301–303
answers, 466–467
summary, 299–300
utility points, example, 283t
Bernanke, Ben, 197a–198a, 221a
Board of directors. See Corporate board of directors
Board of Governors definition, 188, 453
Bond, definition, 266, 453
Bondholder, creditor (comparison), 267
 Borrowing
household/business relationships, 132f
relationships, 127f
Brady Plan, definition, 446
Branch banking, definition, 194
Brazilian reals
price/quantity, inverse relationship, 436
supply/demand, 437f
U.S. dollars
exchange rate, 437
supply and demand curve, 436f
Breaking even
definition, 338, 455
eexample, graph, 337f
British Industrial Revolution, 43
Budgets. See Balanced budget; Deficit budget; Government; Surplus; Unified budget
figures, 162–164
fiscal policy, relationship, 164–165
types, 162–164
Bureau of Economic Analysis (BEA) production data, 89
employment/price level information, 89
Business cycles, 121–122
definition, 121, 453
phases, 121
graph, 121f
Businesses
benefits/costs, balancing, 287–290
business ownership, 268–269
case study, 275
cost measures, usage, 313
decisions, 264
definition, 264, 453
discussion questions, 274–275
employee demand, determination, 392–393
goods/service selection, 309
government, relationship (understanding), 379
investment spending, saving/taxes (relationships), 131f

Index

Businesses (continued)
legal forms, 265–267
loss minimization, 271
market comparison, 332
numbers, 267–268
overview, 264–269
production methods, cost reduction, 393
profitability, community improvement role (discussion), 271
profit maximization, 271
review questions, 273–274
answers, 466
risk, competition (impact), 362
sizes, 267–268
summary, 272–273
unfair competition, FTC perspective, 365
unit cost analysis, 316
Business firms
goals/decisions, 269–272
nonprice competition, attraction, 344
Business sector, 127–132
circular flow, relationship, 131
Business spending
profit expectations, 128–130
relationship, 204
Buyers
expectations, 64
incomes, 63–64
number, 64

C
Candidates, information seeking, 298
Capital, definition, 7, 453
Capital goods
analysis, 415
definition, 18, 453
Capitalism. See Laissez-faire capitalism
definition, 32, 453
Career decision making, examples, 263a
Cartel, definition, 351
Cause-and-effect relationship, 10
support/denial, 11
Celler-Kefauver Act, 367–368
definition, 367, 453
Cell phones
garden tractors, combinations, 17f
service market, 347
usage, ban (discussion), 298
Certificate of deposit (CD), nominal interest rate (example), 96
Change in demand, definition, 453
Change in labor demand/supply, definition, 396, 453
Change in supply, definition, 453
Change in the quantity of labor demanded/supplied, definition, 396, 453
Charter authority, 185
Checkable deposits
chronology, 182t
definition, 181, 459
Checks, clearing, 190–191
Federal Reserve system flowchart, 191f
Check 21, definition, 191
Choice
difficulty, case study, 24
scarcity, relationship, 3–5
Circular flow
business sector, relationship, 131
foreign sector, relationship, 135–136, 137f
government sector, relationship, 133, 134f
household sector, relationship, 125–127
model, definition, 32, 453
Civilian labor force/subgroups, participation, 91t
Civil War, U.S. economy, 44
Clark, John Maurice, 362
Classical economics, 236–238
cost-push inflation, 97–98
cost-plus pricing, definition, 377
cost-benefit analysis, definition, 278, 454
cost-benefit principles, application, 285a
cost-of-living adjustment (COLA), definition, 95, 454
receiving, 102
cost per unit
decrease, 318
increase, 324
cost-plus pricing, definition, 377
cost-push inflation, 97–98
definition, 97, 454
demand-pull inflation, simultaneity, 98
example, 98a
Costs. See Explicit costs; Implicit costs;
Total cost, Marginal cost balancing (businesses), 287–290
balancing (individuals), 278–286
calculation, understanding, 320
case study, 304–305
categorization, 287
defining, 278–279, 287
discussion questions, 303–304
extample, 290t, 291t
graphing, 285, 286f, 292
measurement, 279, 281–282, 288, 290
pattern, impact, 321
review questions, 301–303
answers, 466–467
summary, 299–300
utility points, example, 283a
Country, comparative advantage, 418
Craft union, definition, 399
Creative destruction
definition, 311, 454
impact, 312a
occurrence, 311

470
Crops, markets, 334
Crowding out, 171
definition, 171, 223, 454
Currency
chronology, 182t
circulation, 190
definition, 181, 454
exchange, 434–442
rate, 434
price quotes, 438a
Current account, 442–444
deficit, definition, 444
definition, 442, 454
surplus, definition, 444, 454
Current GDP (money GDP/nominal GDP), definition, 106, 458
Current Population Survey (BLS), 92
Customer service, 325a
Cyclical unemployment, 86
definition, 87–88, 454

D
Data collection/analysis, 11
Dealer, Fed securities purchase, 218–219
Debt. See National debt
monetization
definition, 223, 458
impact, 222f
service, definition, 169, 454
Decision makers, scarcity/choice/influences, 5f
Deficit budget, definition, 162, 454
Deflation, 103
definition, 103, 454
Degree-granting institution fees, graphs, 28f
Demand, 54–58. See also Derived demand;
Labor demand
buyer’s side, 54–55
case study, 84
changes, 63–65
definition, 63
effect, 71
factors, 438–439
understanding, 72
classical economics. See Aggregate demand.
decrease, 69
definition, 64, 454
effect, graph, 70f
graph, 65f
definition, 54, 454
deposit
chronology, 182t
definition, 181, 454
discussion questions, 83
example, 54t
graphing, 55
increase, 69
definition, 64, 456
effect, graph, 70f
graph, 65f
law
definition, 55, 457
gasoline example, 59a
nonprice factors, 63–64
definition, 458
price elasticity, 75–78
factors, 76–77
total revenue, relationship, 78t
quantity demanded/supplied, changes, 67–69
graph, 68f
review questions, 82–83
answers, 464
schedule, definition, 54–55
summary, 80–81
taste/fashion/popularity, impact, 63
Demand curve
definition, 55, 335, 454
graph, 390f
movement, 62
surpluses/shortages, measurement, 62f
Demand curve for labor, definition, 390, 454
Demand-pull inflation
cost-push inflation, simultaneity, 98
definition, 97, 454
Department of Justice, responsibility, 362
Depository institutions
excess reserves, change, 213–214
loans, variation, 212
money transfer, 207
reserve
loss, 207
requirement, 206
Depository Institutions Deregulation and Monetary Control Act (1980),
definition, 192–193, 454
Deregulation, definition, 379, 454
Derived demand, definition, 387, 454
Devaluation, definition, 435, 454
Diesel fuel sales, economic health indicator, 144a
Differentiated products, definition, 342
Diminishing marginal utility, law (definition), 281, 457
Diminishing returns, law, 319, 321
definition, 319, 457
Direct relationship, 26–28
definition, 15, 454
example, 27f
graph, 27f
Discount rate, 217. See also Federal Reserve
definition, 217, 454
Discouraged workers, definition, 92, 454
Discretionary fiscal policy, 160
definition, 160, 454
Discrimination. See also Income
definition, 404
Diseconomies of scale, 323–325, 339
customer service, 325a
definition, 324, 454
existence, 324
Disinflation, 103
definition, 103, 454
Distribution of income. See Income
definition, 401, 454
Diversification, 424
Dodd-Frank Wall Street Reform and Consumer Protection Act (2010),
definition, 193, 454
passage, 197
Do-it-yourself projects, application, 285a
Dollars. See U.S. dollars
spending, comparison, 261
Domestic employment, 423–424
Dominican Republic–Central America–United States Free Trade Agreement
(CAFTA-DR), 427
Dr. Miles Medical Co. v. John D. Parks & Sons, Co., 366a
Dual banking system, definition, 185, 454
Dumping, definition, 426
Durable goods, definition, 259, 454

E
Earning groups, classification, 8
Easy money policy, definition, 215, 454
Econometrics, definition, 11, 455
Economic activity
changes, 138t
understanding, 143
circular flow, 33f
globalization, 413
government influence, role (discussion), 249
injections, 138t
leakages, 138t
long-term view, graph, 122f
Economic activity level
graph, 123f
money supply, relationship, 204–205
relationships, 211t, 214f
total spending, relationship, 125f
Economic cost of production, 287
definition, 455
Economic decision making
answers, 463
circular flow, understanding, 40
continuum, 40f
Economic decisions, 21–23. See also Basic economic decisions
case study, 51
discussion questions, 49–50
impact, 260
review questions, 48–49
summary, 47–48
Economic growth
achievement, 104–105
costs, 105
deceleration, environmental protection (impact), 105
definition, 18, 103, 455
full production, relationship, 103–105
illustration, 104f
product possibilities model, 18f
real output per capita. See U.S. economic growth.
Index

Goods/services
government purchases, definition, 132, 153, 456
production, 417a
business decisions, 35
production decision, 33–34
real government purchases, 133f
real U.S. exports/imports, 136f
real U.S. net exports, 136f
receiving, identification, 35
U.S. exports/imports, 414t

Government
borrowing, impact, 222f
budgets, 161–167
business, relationship (understanding), 379
case study, 383–384
circular flow, relationship, 133, 134f
cost measures, usage, 313
deficits, monetary policy, 221–223
discussion questions, 382–383
expenditures, 152–154
categories, 153–154
circular flow, relationship, 133, 134f
fiscal agents. See U.S. government.
taxing-spending relationship, 134–135

Grain crop, market, 334
demand/supply, graph, 335f

Gramm-Leach-Bliley Act (1999) definition, 193, 456
passage, 194

Graphing, 25–28
benefits, 285, 286f
costs, 285, 286f
demand, 55
net benefits, 285, 286f
supply, 57, 58

Graps, 16–18
construction, 25–26
definition, 15
usage, 15–16
reasons, 15

Great Depression, 45
joblessness, 234
persistance, 127
regulation, growth, 370
unemployment
development, 234
presence, 86

Greenspan, Alan, 221a

Gross Domestic Product (GDP), 89, 106
calculation, 109
definition, 106, 456
information, completeness, 108–110
national debt, percentage, 170f
percentages, 415
Price Index, 99
definition, 102, 456
statistics, 107f
total government expenditures, percentage, 153t

Gross National Happiness (GNH) Index, 51

Guitar production methods, costs, 35t

Happiness, money (influence), 9a
Health care, supply/demand (impact), 84

Heavily Indebted Poor Countries (HIPC) initiative, definition, 446

Hemline index, economic health indicator, 144a

Homeless families, children (inclusion), 407a

Horizontal merger
case, 369a
definition, 269, 367, 456
example, 269f

Households
average money income, 260t
case study, 275
definition, 258, 456
discussion questions, 274–275
expenditures, 259
income, 258
average, size, 260t
distribution, 402t
usage, 258
individuals, goals/decisions, 260–264
overview, 258–272
review questions, 273–274
answers, 466
sector, 124–127
circular flow, relationship, 125–127
summary, 272–273

Household spending, relationships, 204
flowchart, 127f

Households
average money income, 260t
case study, 275
definition, 258, 456
discussion questions, 274–275
expenditures, 259
income, 258
average, size, 260t
distribution, 402t
usage, 258
individuals, goals/decisions, 260–264
overview, 258–272
review questions, 273–274
answers, 466
sector, 124–127
circular flow, relationship, 125–127
summary, 272–273

Household spending, relationships, 204
flowchart, 127f

Human capital investments, definition, 104, 403, 456

Hyperinflation, definition, 94

Incentive regulation, definition, 416t

Income. See Money; Psychic income; Real income
differences, 402–404
discrimination, 404
earning, satisfaction (maximization), 263–264
education/experience, impact, 403
factors, relationship, 8
levels, 403t
proportion, 77
purchasing power, 95f
resource ownership, 402–403
usage, 258

Income-determined spending, definition, 125, 456

Income distribution, 401–404. See also Households
case study, 412
definition, 401, 454
discussion questions, 411
review questions, 409–410
answers, 469
summary, 408–409

Index. See Price index

Individual firm
demand curve, definition, 335, 456
market demand, increase (impact), 337f
product demand, 335–336, 343
definition, 335
product price, 348–350
individual hardships, 86

Individuals
benefits/costs, balancing, 278–286
poverty levels, 405t

Industrial boom, 44–45

Industrialization, problem, 43

Industrial Revolution. See British Industrial Revolution
definition, 43, 456

Industrial union, definition, 399

Industry, 309
definition, 309, 332, 456
regulation, 375–377
definition, 375, 456
justifications, 375–377
price, 377
sample, 309t

Inelastic price change, definition, 78, 456

Infant industry
definition, 423
protection, 423–424

Inferior goods/services, definition, 64, 456

Inflation, 94–103. See also Cost-push inflation; Demand-pull inflation;
Hyperinflation
consequences, 94–96
definition, 456
Inflation (continued)  
  discussion, 141–142  
  impact, 94–95  
  income, relationship, 94–95  
  interest rate, relationship, 95–96  
  measures, 99–103  
  social/political consequences, 96  
  wealth, relationship, 96  
  winners/losers, 97t  
Inflationary pressure, causes, 96–97  
Information, 36  
Injections  
  economic activity, 138t  
  spending stream, 126  
  summary, 136–138  
Injections into the spending stream,  
  definition, 456  
Injured party, triple damages, 368  
Input markets (resource markets),  
  definition, 33, 456  
Intellectual capital, usage, 404a  
Interest  
  definition, 8, 456  
  real rate, definition, 96, 460  
Interest rates, 210–215, 215a  
  clarification, 214  
  definition, 211, 456  
  determination, 212–214  
  effect, definition, 245, 456  
  excess reserves, changes (impact), 213f  
  government borrowing, effect, 222f  
  inflation, relationship, 95–96  
  information, 214  
  investment spending, relationship,  
  130a  
  monetizing the debt, impact, 222f  
  role, 211  
  variation, 214  
Interlocking directorates, definition,  
  365–366  
International Business Machines Corp. v.  
  United States, 369a  
International finance  
  case study, 451  
  discussion questions, 450  
  review questions, 449–450  
  answers, 470  
  summary, 448–449  
International financial system  
  challenges, 445–447  
  external debt issues, 445–446  
International financial transactions/  
  balances, 442–445  
International Monetary Fund (IMF),  
  definition, 426, 456  
International trade. See U.S. international  
  trade  
  case study, 431–432  
  comparative advantage, relationship,  
  418–421  
  definition, 414, 456  
  discussion questions, 430–431  
  policies and agreements, 424, 426–428  
review questions, 429–430  
  answers, 469  
  summary, 428–429  
Interstate banking, definition, 193  
Interstate Commerce Commission (ICC)  
  establishment, 374  
Inventories, definition, 239, 456  
Inverse relationship, 26–28, 456–457  
  definition, 15  
  example, 27f  
  graph, 27f  
Investment  
  goods, spending (postponement), 445  
  household/business relationships, 132f  
  spending, definition, 128, 457  
Invisible hand doctrine, definition, 42, 457  
J  
  Job applicants  
    absence, nonwage factors (impact), 391  
    example, 25f  
    graph, 26f  
  Job discrimination, authority, 370  
  Joblessness, Great Depression, 234  
  Job loss, problem, 87a  
  Joblessness, Great Depression, 234  
  Job loss, problem, 87a  
  Joint venture, definition, 364  
  Jungle, The (Sinclair), 44  
Justice, 6  
K  
  Keyes, John Maynard, 96, 235, 238a  
  Keynesian economics, 239–243. See also  
    New Keynesian economics  
    definition, 239, 457  
  model, understanding, 247  
  popularity, peak, 243  
  Keynesian policy prescriptions, 242–243  
  Kinked demand curve  
    definition, 349, 457  
    flat portion, 349–350  
    graph, 349f  
  Knowledge, impact, 404a  
  Kraft Foods  
    company profile, 270a  
    holding company arrangement, 269  
Labor  
  definition, 7, 457  
  productivity, decline, 387  
  supply curve, definition, 460  
  total product/marginal product, 388t  
  value, determination, 389  
  Labor demand, 387–390  
    changes, 392–394  
    definition, 396  
    quantity demand/supply, 396  
    curve, definition, 390, 454  
    model, modifications, 396–398  
    productivity, relationship, 388–388  
    product price, relationship, 388–388  
    quantity, change (definition), 396  
    technological change, impact, 394  
  Labor force, 89–91  
    definition, 89, 457  
    statistics, 90t  
    subgroups. See Civilian labor force/  
    subgroups.  
    participation rates, 91t  
    unemployment rates, 91t  
  Labor markets, 386–398  
    case study, 412  
    demand, increase (impact), 394f  
    discussion questions, 411  
    economy, impact, 395  
    legal considerations, 397–398  
    minimum wage, impact, 398f  
    review questions, 409–410  
    answers, 469  
    summary, 408–409  
    supply restriction, 400f  
  Labor supply, 390–392  
    changes, 392–396  
    definition, 396  
    quantity demand/supply, 396  
    curve, definition, 390  
    graph, 391f  
    demographic trends, impact, 395  
    long-term gain, impact, 391–392  
    model, modifications, 396–398  
    quantity, change (definition), 396  
  Labor unions, 399–401  
    categories, 399  
    definition, 399  
  Laissez-faire capitalism, definition, 42, 457  
  Land, definition, 7, 457  
  Lands’ End, Sears purchase, 368  
  Law, collective bargaining (relationship),  
    400–401  
  Law of demand, 55  
    definition, 55, 457  
    example, 59a  
    gasoline example, 59a  
  Law of diminishing marginal utility,  
    definition, 281  
  Law of diminishing returns, 319, 321, 387  
    definition, 319, 387  
  Law of supply  
    definition, 56–57, 457  
    example, 59a  
    organic milk example, 59a  
  Leadership pricing, definition, 349, 457  
  Leakages  
    definition, 457  
    economic activity, 138t  
    spending stream, 127  
    summary, 136–138  
  Least-cost (efficient) method of  
    production, definition, 35  
  Leegin Creative Leather Products, Inc. v.  
  PSKS, Inc. DBA Kay’s Kloset...Kay’s  
  Shoes, 366a  
  Legal considerations (labor markets),  
    397–398  
  Liability. See Unlimited liability  
    definition, 186, 457  

Index
Limited liability company (LLC), 267
definition, 267
Limited resources, problem, 3
Lipstick index, economic health indicator, 144a
Liquidity, definition, 183, 457
Loan making
decrease, 211
depository institution, money transfer, 207
excess reserves, relationship, 206–207
government borrowing, impact, 222f
increase, 211
monetizing the debt, impact, 222f
relationships, 211t, 214f
Loans
interest rates, determination, 212–214
chart, 212f
quality, excess reserves (changes, impact), 213f
questions/answers, 208a
rollover difficulty, 180a
Local government expenditures, 153t
Long run, definition, 312, 457
Long-run average total cost (LRATC), 322–323
calculation, long-run total cost (usage), 322
curve, 339–340
curve, phases, 325f
definition, 322, 457
graphs, 324f, 376f
Long-run condition, occurrence (reason), 340
Long-run costs, 322–325
efficiency, impact, 339–340
monopolist, 353
oligopolistic market, 350
profit, impact, 339–340
Long-run marginal cost, definition, 322, 457
Long-run position
graph, 339f
monopolistically competitive seller, 345f
Long-run total cost, 323f
definition, 322, 457
usage, 322
Loss, definition, 291, 459
Loss minimization, 271
goal, 271
Low carbs, 67a
Lower price limit, definition, 459
Luddites, impact, 312a
Luxury goods, necessities (contrast), 76–77

Macroeconomic equilibrium
changes, charts, 242f
definition, 239, 457
Macroeconomic models, 236–249
attention, 235a
building, 234–236
case study, 255
discussion questions, 254
review questions, 252–254
answers, 465–466
summary, 251–252
Macroeconomics, 19, 85
activity, changes, 119–123
case study, 117–118, 149–150
definition, 19, 457
discussion questions, 115–116, 148
policy instruments, update/refinement, 250
predictors/policies, 142–144
review questions, 113–115, 147–148
summary, 111–113, 144–146
theories, update/refinement, 250
viewpoints, 249–250
Macroeconomic viewpoints, 233–250
case study, 255
discussion questions, 254
review questions, 252–254
answers, 465–466
summary, 251–252
Macroeconomy
case study, 117–118
discussion questions, 115–116
equilibrium, 239–242
chart, 241f
government impact, understanding, 166
government role
answers, 465
case study, 175–176
discussion questions, 174–175
review questions, 173–174
summary, 171–172
review questions, 113–115
answers, 464–465
summary, 111–113
Major League baseball fan cost index,
team marketing report, 353a
Management, union negotiations, 400
Manufacturing sector, industries/sectors
(sample), 309t
Marginal benefit (marginal utility)
definition, 279–280, 457
graph, 286f
Marginal cost (MC), 316t. See also
Long-run marginal cost
definition, 281, 316, 457
examples, 282t, 315f, 319t
graph, 286f, 293f
list, 323f
marginal revenue, relationship, 291, 292
measurement, 289
patterns, 318–319
Marginal cost-marginal benefit approach,
usage, 284
Marginal product
definition, 387, 457
example, 388t
Marginal productivity, decline, 387–390
Marginal revenue, 289
definition, 289, 457
graph, 293f
marginal cost, relationship, 291, 292
product, 389–390
definition, 389, 457
example, 389t
Marginal values, average values
(relationship), 319
Market
basket, dollar outlays (conversion), 99
buyers, number, 64
case study, 385–384
clearing price, definition, 61, 457
decision making, government influence, 37
defining, 332–333
definition, 58, 332, 457
discussion questions, 382–383
tentry/exit, 333
existence, 32
failure, 36
definition, 457
government boundary, definition, 332, 456
independently acting sellers, 334
power, 36
price ceiling, effect (graph), 74f
price floor, effect (graph), 75f
price setting, 58–60
product boundary, definition, 332, 459
product type, 333
review questions, 382
answers, 469
sellers, number, 66, 333
summary, 380–381
systems, choices, 36
Market boundaries, 332
controversy, 333
determination, 332
discussion, 332
identification, attempt, 332
Market demand, 58–62
curve, definition, 335
definition, 58, 457
example, graph, 335f
Market economy, 30, 32–37
definition, 32, 457
economic decisions, 33–35
evaluation, 36
government intervention, 37
operation, 32–33
strengths, 36
list, 37f
weaknesses, 36
list, 37f
Market structures, 333, 354–355
case study, 360
definition, 333, 457
discussion questions, 359
firms, characteristics/behavior, 355t
review questions, 357–359
answers, 468–469
summary, 356–357
Market supply, 58–62
definition, 58, 457
eexample, graph, 335f
Marshall, Alfred, 235
Mathematical equations, usage, 15–16
Maximization
case study, 304–305
discussion questions, 303–304
review questions, 301–303
answers, 466–467
summary, 299–300
Maximizing economic well-being,
definition, 260, 457
Maximum profit (yield), price-quantity
raising, problem, 77
law, definition, 397–398
regulation, 397–398
raising, problem, 77
laws, 204–205
definition, 106, 458
statistics, 107t
determination, 106t
stats, 107t
Money multiplier
calculation, 209–210
definition, 209, 458
effect, definition, 208
Monetary standards, 183–184. See
Commodity monetary standards;
Paper monetary standards
Monetary policy
case study, 230–231
discussion questions, 229
review questions, 227–228
answers, 465
summary, 225–226
Monetizing the debt
definition, 223, 458
impact, 222f
Money, 178–184
case study, 202
definition, 178, 458
discussion questions, 201
forms, 179f
income
data household, averages, 260t
nominal income, definition, 94, 458
influence, 9a
multiple expansion, 207–210
reserve requirement example, 209t
multiplier effect, definition, 458
review questions, 200–201
answers, 465
summary, 198–199
value, definition, 178, 461
velocity, definition, 182, 461
wealth, storage method, 178–179
Money creation, 205–210
case study, 230–231
discussion questions, 229
process, 206–207
review questions, 227–228
answers, 465
summary, 225–226
Money GDP (current GDP/
nominal GDP)
definition, 106, 458
determination, 106t
stats, 107t
Money multiplier
calculation, 209–210
definition, 209, 458
effect, definition, 208
Money supply (M), 180–184. See also U.S.
money supply
change, 205, 210
decrease, 205
economic activity level, relationship,
204–205
equation, 204–205
M1 components, 181–182
definition, 181, 181t, 457
M2, 183t
definition, 183, 457
relationships, 211t
turnover, 182
Monopolist
behavior, 351–354
direct competitors, absence, 352
efficiency, 353
long-run costs, 353
nonprice competition, 352
outlet, demand curve, 352
price, control, 351
product, demand, 351–352
profit, 353
profit-making ability, 353
Monopolistically competitive markets,
348
understanding, 349
Monopolistically competitive seller
long-run position, 345f
operation, economic profit/loss, 344f
output, demand curve, 343f
profit, 343–346
Monopolistic competition, 342–346
characteristics, 342
definition, 342, 458
efficiency, 345–346
firm behavior, 342–346
individual firm product, demand, 343
long-run costs, 345–346
loss, 344
price, control, 342–343
pricing, 344
profit, 344, 345–346
Monopolization
attempts, definition, 362, 458
definition, 362, 458
Monopoly, 350–354. See also Natural
monopoly
characteristics, 350–351
definition, 350
market
definition, 458
structure, pricing, 352
public utility, 351
Monetary Control Act (1980),
192–193
Monetary policy
advantages, 223–224
case study, 230–231
definition, 143–144, 215, 458
disadvantages, 223, 224
discussion questions, 229
Federal Reserve, 215–224
government deficits, relationship,
221–223
objectives, 220–221
review questions, 227–228
answers, 465
summary, 225–226
tools, 216–221
N
National banks, definition, 185, 458
National debt, 167–171
assessment, 167–170
chronology, 169f
definition, 167, 458
financing, 167
size, 167–168
National Highway Traffic Safety
Administration, ruling (impact), 378
National Labor Relations Act (1935), 45
Wagner Act, definition, 400–401, 458
Product boundary of a market, definition, 332

Product; Producer Price Index
Price Index; Gross Domestic Product; Producer Price Index
calculation, 109
construction, 99–100
definition, 99, 459
economic cost, definition, 287, 455
efficient method, definition, 310, 455
factors, 312
definition, 460
increase, 104, 420
eexample, 318
industries, 309
least-cost (efficient) method, definition, 35, 457
measures, 106–108
methods, 35, 309–311
cost, reduction, 393
range, technology definition, 311
positive externalities, 296
sectors, 308–309
Production costs, 65, 311–325
case study, 330
discussion questions, 329
review questions, 327–328
answers, 467–468
summary, 326
Production function
definition, 309, 459
evaluation, example, 313
eexample, 310t
selection, 310–311
technology, impact, 311
Production possibilities
curve, formation, 17
model, 17
economic growth, 18
unemployment, 18
table, definition, 16, 459
understanding, 19
Productive activities, 307
Productivity, 110–111
definition, 110, 459
labor demand, relationship, 387–388
Product markets (output markets),
definition, 32, 459
Profit or loss, definition, 270, 459
Profit-maximizing rules
operation, example (graph), 337f
output, demand curve, 336f
profit, 345–346
Profit maximization, 290–291
determination, mechanics, 288
manager motivation. See Corporation. questions, 271–272
socially responsible behavior, relationship, 271
understanding, 294
Profit-maximizing rules
application, 351–352
definition, 291, 459
Profit or loss, definition, 270, 459
Progressive taxes, 156
definition, 156, 459
Proprietorship, 265
definition, 265, 459
limitation, 265
number/receipts, 268t
unlimited liability, impact, 265
Protectionism
arguments, 423–424
definition, 420, 459
free trade, relationship, 420–424
Psychic income, 391
Psychology, economic impact,
124a
Public assistance, work requirement (discussion), 407
Public choice, 297–299
definition, 167, 297, 459
Public good, definition, 153, 459
Public interest justification for regulation, definition, 376–377
Public school fees, graphs, 28f
Purchasing power. See Income
Pure competition, 334–341
characteristics, 334
evidence, discussion, 340–341
firm behavior, 334–340
long-run condition, occurrence (reason), 340
long run effects, 339
price, 335
cost, 334–335
study, value, 341
Purely competitive market
definition, 334, 459
Profit, 334, 335
sellers
entry, effect (graph), 341f
exit, effect (graph), 341f
understanding, 348
Purely competitive seller
long-run position, 339
graph, 339f
operation, example (graph), 337f
output, demand curve, 336f
profit, 345–346
Pure market systems, 32

Q
Quantity demanded/supplied, changes, 62, 67–69
graph, 68f
Quasi-public good, definition, 153
Quota
definition, 422
imposition, 424
production per country with specialization, 420t
production possibilities, 419t
wants/needs, relationship, 7f
waste, discussion, 346
Retained earnings, definition, 460
Revenues. See also Government; Marginal revenue; Total revenue
definition, 460
equation, 107
taxation, 107
definition, 106, 460
determination, 106t
example, 288t, 291t
graphing, 292
example, 216t
Measurement, 288–289
sources, 155–156, 157f
Riegel—Neal Interstate Banking and Branching Efficiency Act (1994), definition, 193
Right to work laws, definition, 401, 460
Robinson–Patman Act, 367
definition, 367, 460
Rule of reason violations, definition, 364, 460
S
Satisfaction
measurement, subjectivity, 278
ranking, 279t
Satisfaction, maximization, 282–285
actions, 279
family, gossip, 262a
goods/services, consumption, 261
income, earning, 263–264
Saving
business investment spending, relationship, 131f
habit, quality, 128
household/business relationships, 132f
household spending, relationships, 127f
Saving-borrowing relationship, 131–132
definition, 131, 460
Savings and loans, 195
Scarcity resources, 8–9
Scarcity, 16–18, 29–31
basic economic decisions, relationship, 31f
choice, relationship, 3–5
definition, 2, 460
economics, relationship, 2–3
economic systems, relationship, 31f
impact, 4
intensification, 94
modeling, 16–17
problem
intensification, unemployment (impact), 86
root, 3
solution, 8
Scarcity-related tradeoff problem, 3
Schumpeter, Joseph, 312a
Sectors, 308–309
importance, changes, 308–309
industries/products, sample. See Manufacturing sector.
producing sectors, 308–309
definition, 459
Securities and Exchange Commission (SEC)
actions, 370
creation, 45
Sellers
number, 66, 333
Services. See Goods/services
consumption, satisfaction (maximization), 261
government purchases, definition, 132, 153, 456
movement, 413
production, 417a
business decisions, 35
production decision, 33–34
real government purchases, 133f
real U.S. exports/imports, 136f
receiving, identification, 35
U.S. exports/imports, 414t
Shadow banking, definition, 195, 460
Sherman Antitrust Act, 363–365
cases, 366a
definition, 363, 460
passage, 44
Section 2, cases, 364
Shortage
definition, 39, 460
measurement, 62f
Short run, definition, 311, 460
Short-run costs, 314–322
pattern, 316–319
summary, 316t
Sinclair, Upton, 44
Smith, Adam, 41, 236, 238a
Smoking, cost, 295a
Social benefits/costs, 292–297
Social costs, 292–297
definition, 295, 460
Social insurance program, definition, 155, 460
Socialism, definition, 38, 460
Social net benefits
maximization, negative/positive externals (usage), 297f
private benefits, relationship, 296–297
Social regulation, 377–378
definition, 377, 460
Social regulatory agencies, list, 378t
Social Security Act (1925), 45
Social Security system, 165a
Society
costs, 295
economic loss, 86
limited resources, impact, 6
net benefit, maximization, 295–297
Special-interest group, definition, 299
Specialization
definition, 418, 460
gains, 419–420
impact, 418
international level, 418
occurrence, 418
stock, 131
Subsidies, definition, 460
Successive waves of deregulation, U.S.
Sunk costs, 312a
Sunk costs, definition, 312a
Supply curve
price determination, 106t
price elasticity, 106t
Supply and demand analysis, 31–32
Transportation sectors, 308–309
importance, changes, 308–309
Transportation systems, sample. See Manufacturing sector.
Spending
increase, 159
level, 210–215
relationships, 211t

Spending stream
injections, definition, 126, 456
leakage, 242
definition, 127
St. Louis County, trash pickup/recycling (imposition), 14
Stagflation, definition, 243, 460
Sunspots, economic impact, 124a
Success, opportunity, 36
Substitutes, 77
Subprime mortgages, 196
Surplus. See Federal budget receipts/
outlays/surpluses
definition, 162, 460
definition, 60, 460
equation, 60
measurement, 62f
Strike, definition, 400, 460
Structural changes, 193–194
Structural remedies, 368
Structural unemployment, 86
definition, 88, 460
equation, 88
Subprime mortgages, 196
definition, 196, 460
issue, 197a–198a
Substitutes, 77
Success, opportunity, 36
Sunspots, economic impact, 124a
Supply, 54–58. See also Labor supply
case study, 84
classical economics. See Aggregate supply.
curve, definition, 460
decrease, 67
definition, 67, 454
effect, 70
effect, graph, 71f
graph, 66f
impact, 70
definition, 55–56, 460
discussion questions, 83
graphing, 57, 58
increase, 66
definition, 66, 456
effect, 70
effect, graph, 71f
graph, 66f
law
definition, 56–57, 457
organic milk example, 59a
nonprice factors, definition, 65
definition, 63, 79
price elasticity, 75, 79
factors, 79
quantity demanded/supplied, changes, 67–69
graph, 68f
restriction. See Labor markets.
review questions, 82–83
answers, 464
schedule, definition, 56
seller’s side, 55–58
summary, 80–81
Supply changes, 62, 65–67
definition, 65
effect, 71
factors, 438–439
understanding, 72
Supply curve
definition, 57, 460
movement, 62
shift, 214
surpluses/shortages, measurement, 62f
Supply curve for labor, definition, 390, 460
Supply-side economics, 248–249
definition, 248, 460
Surplus. See Federal budget receipts/
outlays/surpluses
budget, definition, 162, 460
definition, 60, 460
equation, 60
measurement, 62f
Sustainability, concern, 395a
Swapped services, 108
T
Taft-Hartley Act, definition, 401, 460
Tariff
absence, 423
definition, 460
free trade, relationship, 421
imposition, 424
increase, 424
ranking, 422t
Taxes
abatement, definition, 158, 460
base, definition, 158, 460
business investment spending, relationship, 131f
household spending, relationships, 127f
issues, 156–158
rates, definition, 158, 460
reform, 157–158
definition, 157, 460
TC. See Total cost
Technology
changes, impact, 88
definition, 104, 311, 460
impact, 311
Teen employment, impact
(understanding), 6a
Territorial division, definition, 363
TFC. See Total fixed cost
Theology, economic impact, 124a
Theories. See Economic theory
development, 10
Theory of Moral Sentiments, The (Smith),
238a
30-60-90 rule, 365
Tight money policy, definition, 215, 461
Token money, definition, 181
Total benefit (total utility)
change, 280
definition, 280, 461
graphs, 286f
Trough, definition, 281–282, 314–315. See also
Average total cost
definition, 281, 315, 316t, 461
equation, 282t, 314t, 315t, 317t
graphs, 286f, 293f
increase, 318
pattern, 317–318
Total fixed cost (TFC), 316t
definition, 314, 461
Total income, nonincome-determined
spending injection (impact), 139t
Total output, 240f
measurement, 241
nonincome-determined spending
imposition, impact, 240
Total planned spending, 240
Total product, example, 388t, 389t
Total revenue, 78
change, 289
definition, 78, 288, 461
demand, price elasticity (relationship), 78t
example, 389t
graph, 293f
Total spending (aggregate spending),
123–138
definition, 123, 461
economic activity level, relationship, 125f
relationships, 205
Total utility
definition, 261, 461
total benefit, definition, 280
Total variable cost (TVC), 316t
definition, 315, 461
Trade. See Free trade; U.S. trade
agreements, 426–428
association, definition, 364
balance, definition, 443
efficiency, relationship, 423
gains, 419–421
globalization, expansion, 417
restraint, combinations/conspiracies,
definition, 362, 453
restriction, discussion, 427
specialization, 423
subsidy, definition, 424, 426
U.S. balance, 443f
Tradeoffs
concept (emphasis), production
possibilities model (usage), 17
definition, 3
national level, 4
Trade-restricting policies, 421–423
Traditional economies, 31
barter, reliance, 31
definition, 31, 461
economic decisions, 31
Transfer payment, definition, 126, 153, 258, 461
Trash pickup/recycling, imposition (debate), 14
Traveler’s checks, 181
chronology, 182t
Trough, definition, 121, 460
Trust fund, definition, 162, 461

Tying arrangement
cases, 366a, 369a
definition, 363

U

Underemployment, definition, 93, 461
Undergraduate tuition, graph, 28f
Underground economy, definition, 109
Unemployment, 86–93
consequences, 86
definition, 18, 86, 461
development, 234
labor force, relationship, 89–91
measures/statistics, 88–93
natural rate, definition, 93, 244, 458
participation rates, relationship, 88–91
product possibilities model, usage, 18f
statistics
calculation, 92
interpretation, 92–93
types, 86–88

Unemployment rates
acceptability, problem, 215
calculation, 89–90
definition, 89–90, 461
total
full employment, relationship, 93
graph, 120f
statistics, 90t
workers/labor force subgroups, 91t
Unidentified flying objects (UFOs), 12a
Unified budget, 162
definition, 162, 461
Unilateral transfers, 444
Unions. See Craft union; Industrial union;
Labor unions
case study, 412
discussion questions, 411
management negotiations, 400
membership, 399
review questions, 409–410
answers, 469
summary, 408–409
types, 399

Unitary price elastic, definition, 461
Unit costs, 315–316
analysis, 316
United States
export/import trading partners, ranking, 416t
people, power ranking, 221a
United States Football League (USFL),
introduction (problem), 34a
United States v. Aluminum Company of America, 365
United States v. Philadelphia National Bank et al., 369a

Unlimited liability, definition, 265, 461
Unreported work, 108
Upper price limit, definition, 459
Urban farming, economic health indicator, 144a
Urban forecasts, economic health indicator, 144a
Uruguay Round, trade rules, 426
U.S. balance of trade, 443f
U.S. corporate employers, ranking, 264t
U.S. dollars
Brazilian reals
exchange rate, 437
supply and demand curve, 436f
foreign currencies, exchange rates, 435f
value, decrease (impact), 439a
U.S. economic growth, real output per capita, 104f
U.S. economic system, 41–46
U.S. economy
British foundations, 41–43
commodity standard, 183–184
cyclical behavior, 121–122
development (highlights), 44–46
industrial boom, 44–45
New Deal, 45
policy problem, 111
recent developments, 45–46
regulatory/deregulatory waves, 45
World War II era, 45
U.S. exports/imports, ranking, 414t
U.S. government, fiscal agents, 191–192
U.S. international financial transactions, 442t
U.S. international trade, overview, 414–417
U.S. merchandise exports/imports,
percentage distribution, 415t
U.S. money supply
M1, 181t
M2, 183t
U.S. production, assessment, 107–108
U.S. trade
composition, 415–416
geographic distribution, 416–417
size, 414–415
U.S. Treasury bills, definition, 167
U.S. Treasury bonds, definition, 167
U.S. Treasury notes, definition, 167
U.S. Treasury securities, 168a
definition, 167, 461
Usury laws, 73
Utility. See Total utility
definition, 261, 278, 461
maximization, 261
points, example, 280t
Utility-maximizing rule, statement, 262
Utility-price rule, 261–263
real world example, presence, 262
Util-O-Meter
points, example, 281
usage, 278

V

Value
exercise, 4t
judgment, definition, 4, 461
measure, definition, 178, 457
Value of money, definition, 178, 461
Variable costs, definition, 312, 461
Variable factors, definition, 312, 461
Variables, 10
Velocity of money, definition, 182, 461
Vertical merger, definition, 269, 368, 461
Vertical price fixing, 366a
Viewpoints, 233–250
Volvo Trucks North America, Inc. v.
Reeder-Simco GMC, Inc., 369a
Voting process, behavior maximization, 298–299

W

Wages
decline, 390
definition, 8, 386, 461
rigidities, 396–397
Wagner Act, definition, 400–401
Wants/needs, resources (relationship), 7f
Wealth
definition, 96, 461
effect, definition, 245
inflation, relationship, 96
storing, method (definition), 178–179,
457–458
Wealth effect, definition, 461
Wealth of Nations, The (Smith), 41
Wellness programs, cost effectiveness, 322a
Western European economic institutions, appropriateness, 46
Western Pennsylvania, economy
(changes), 141a
Words, usage, 15–16
Work
accomplishment, 321
decision, 6a
right, laws (definition), 401, 460
World Trade Organization (WTO),
definition, 426–427
World War II, U.S. economy, 45

Y

Yen, supply (increase), 440