

# Principles of Economics: A Road Map of How This Book Works

## **Introduction**

1. Ten Principles of Economics

The study of economics is guided by a few big ideas.

2. Thinking Like An Economist

Economists view the world both as scientists and policymakers.

3. Interdependence and the Gains from Trade

The theory of comparative advantage explains how people benefit from economic interdependence.

## **Supply and Demand I: How Markets Work**

4. The Market Force of Supply and Demand

How does the economy coordinate interdependent economic actors? Through the market forces of supply and demand.

5. Elasticity and Its Application

6. Supply, Demand, and Government Policies

The tools of supply and demand are put to work to examine the effects

## **Supply and Demand II: Markets and Welfare**

7. Consumers, Producers, and the Efficiency of Markets

Why is the equilibrium of supply and demand desirable for society as a whole? The concepts of consumer and producer surplus explain the efficiency of markets, the costs of taxation, and the benefits of international trade.

8. Application: The Costs of Taxation

9. Application: International Trade

## **The Economics of the Public Sector**

10. Externalities

Market outcomes are not always efficient, and governments can sometimes remedy market failure.

11. Public Goods and Common Resources

12. The Design of the Tax System

To fund programs, governments raise revenue through their tax systems, which are designed with an eye toward balancing efficiency and equity.

## **Firm Behavior and the Organization of Industry**

13. The Costs of Production

The theory of the firm sheds light on the decisions that lie behind supply in competitive markets.

14. Firms in Competitive Markets

15. Monopoly

Firms with market power can cause market outcomes to be inefficient.

16. Oligopoly

17. Monopolistic Competition

### **The Economics of Labor Markets**

18. The Markets for the Factors of Production

These chapters examine the special features of labor markets, in which most people earn most of their income.

19. Earnings and Discrimination

20. Income Inequality and Poverty

### **Advanced Topic**

21. The Theory of Consumer Choice

The analysis of household decisionmaking sheds new light on market demand and related issues.

### **The Data of Macroeconomics**

22. Measuring a Nation's Income

The overall quantity of production and the overall price level are used to monitor developments in the economy as a whole.

23. Measuring the Cost of Living

### **The Real Economy in the Long Run**

24. Production and Growth

These chapters describe the forces that in the long run determine key real variables, including growth in GDP, saving, investment, real interest rates, and unemployment.

25. Saving, Investment, and the Financial System

26. Unemployment and Its Natural Rate

### **Money and Prices in the Long Run**

27. The Monetary System

The monetary system is crucial in determining the long-run behavior of the price level, the inflation rate, and other nominal variables.

28. Money Growth and Inflation

### **The Macroeconomics of Open Economies**

29. Open-Economy Macroeconomics: Basic Concepts

A nation's economic interactions with other nations are described by its trade balance, net foreign investment, and exchange rate.

30. A Macroeconomic Theory of the Open Economy

A long-run model of the open economy explains the determinants of the trade balance, the real exchange rate, and other real variables.

**Short-Run Economic Fluctuations**

31. Aggregate Demand and Aggregate Supply

The model of aggregate demand and aggregate supply explains short-run economic fluctuations, the short-run effects of monetary and fiscal policy, and the short-run linkage between real and nominal variables.

32. The Influence of Monetary and  
Fiscal Policy on Aggregate Demand

33. The Short-run Tradeoff Between  
Inflation and Unemployment

**Final Thoughts**

34. Five Debates over Macroeconomic Policy

A capstone chapter presents both sides of five major debates over economic policy.