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In preparing this tenth edition, we had three primary goals. First, we wanted to incorporate the ongoing changes in the United States and world economies as they have continued to recover and adjust from the worldwide recession of the last decade. Second, we strived to update this edition to reflect the latest exciting developments in economic thinking and make these accessible to new students of economics. Finally, we wanted to stay true to the philosophy of the textbook—using basic concepts of economics to explain a wide variety of timely and interesting economic applications.

To improve student results, we recommend pairing the text content with MyLab Economics, which is the teaching and learning platform that you can use to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and will help your students learn and retain key course concepts while developing skills that future employers are seeking in their candidates. From Digital Interactives to Real-time Data Analysis Exercises, MyLab Economics helps you teach your course, your way. Learn more at www.pearson.com/mylab/economics.

New to This Edition

In addition to updating all the figures and data, we made a number of other key changes in this edition. They include the following:

- At the end of each chapter, we have added Critical Thinking Exercises that challenge the student to think more deeply about the topics and ideas within the chapters.
- We also incorporated a total of 18 exciting new Applications into this edition. In addition, we incorporated a total of 9 new chapter-opening stories. These fresh applications and chapter openers show the widespread relevance of economic analysis.
- The new applications include solar tax credits (Chapter 1), crop insurance and food production (Chapter 3), the effects of the growing popularity of craft beer on hop prices (Chapter 4), and the new applications include the effect of a VAT tax on French restaurants (Chapter 6), the opportunity cost of serving as an Airbnb host (Chapter 14), carbon permits in the European Union (Chapter 16), and how bicycle messengers respond to incentives (Chapter 17).
- In Chapter 18, we explore how automobile companies have been purchasing a large fraction of their parts outside the United States to put into “American” cars.

Solving Teaching and Learning Challenges

Many students who take the principles of economics class have difficulty seeing the relevance of the key concepts of economics, including the role of opportunity costs, thinking on the margin, the benefits of voluntary exchange, the idea of diminishing returns, and the distinction between real and nominal magnitudes. This reduces student preparedness and engagement. We explore the five key principles of economics we think are most important to students and use the following resources to engage students with the content to highlight not only how economics is relevant to their lives, but also their future careers.

Make Economics Relevant through Real-World Application

Real-world application is crucial to helping students find the relevance in economics. As such, our applications-driven text includes 80 real-world Applications to help students master essential economics concepts. Here is an example of our approach from Chapter 4, “Demand, Supply, and Market Equilibrium.”

APPLICATION 1

THE LAW OF DEMAND FOR YOUNG SMOKERS

APPLYING THE CONCEPTS #1: What is the law of demand?

As price decreases and we move downward along the market demand for cigarettes, the quantity of cigarettes demanded increases for two reasons. First, people who smoke cigarettes at the original price respond to the lower price by smoking more. Second, some people start smoking.

In the United States, cigarette taxes vary across states, and studies of cigarette consumption patterns show that higher cigarette taxes decrease cigarette consumption. According to research from the Youth Risk Behavior Survey (YRBS), one study shows that increases in state cigarette taxes between 1990 and 2005 resulted in two participation: lower smoking and lower frequency. Lower prices per pack.

A change in cigarette taxes in Canada illustrates the second effect, the tax/subsidy effect. In 1999, several provinces in eastern Canada cut their cigarette taxes in response to the United States’ lower tax levels. The result was a mirror image of the U.S. experience: the price of cigarettes in the provinces decreased by roughly 50 percent. Researchers tracked the choices of 191 youths from the Waterloo Smoking Prevention Program and concluded that the lower price increased the smoking rate by roughly 17 percent. Related to Exercises 1.3 and 1.4.

Each Application has at least one related exercise available in MyLab Economics. These exercises can be found in the Application boxes in the eText with an opportunity for additional practice in the Study Plan, and in the
end-of-chapter section. The Study Plan gives students personalized recommendations, practice opportunities, and learning aids to help them stay on track.

Our macroeconomic world is rich with data. We help students understand the importance of real and current data through the incorporation of Real-Time-Data Analysis Exercises in the Macroeconomics volume. The Real-Time-Data Analysis Exercises, marked with , allow students and instructors to use the very latest data from FRED. By completing the exercises, students become familiar with a key data source, learn how to locate data, and develop important employability skills in interpreting data.

Students are often best motivated when they see the relevance of what they’re learning to the world they live in. The Current News Exercises available to students in MyLab Economics help demonstrate the real world relevance of these important concepts. Every week, microeconomic and macroeconomic news stories and accompanying exercises are posted to MyLab Economics. Assignable and auto-graded, these multi-part exercises ask students to recognize and apply economic concepts to current events.

Show the Big Picture with Five Key Principles

In Chapter 2, “The Key Principles of Economics,” we introduce the following five key principles and then apply them throughout the book:

1. The Principle of Opportunity Cost. The opportunity cost of something is what you sacrifice to get it.
2. The Marginal Principle. Increase the level of an activity as long as its marginal benefit exceeds its marginal cost. Choose the level at which the marginal benefit equals the marginal cost.
3. The Principle of Voluntary Exchange. A voluntary exchange between two people makes both people better off.
4. The Principle of Diminishing Returns. If we increase one input while holding the other inputs fixed, output will increase, but at a decreasing rate.
5. The Real-Nominal Principle. What matters to people is the real value of money or income—its purchasing power—not the face value of money or income.
This approach of repeating five key principles gives students the big picture—the framework of economic reasoning. We make the key concepts unforgettable by using them repeatedly, illustrating them with intriguing examples, and giving students many opportunities to practice what they’ve learned, such as the Concept Checks available in MyLab Economics.

**Practicing the Principles**

Each section of each learning objective concludes with an online Concept Check that contains one or two multiple choice, true/false, or fill-in questions. These checks act as “speed bumps” that encourage students to stop and check their understanding of fundamental terms and concepts before moving on to the next section. The goal of this digital resource is to help students assess their progress on a section-by-section basis, so they can be better prepared for homework, quizzes, and exams.

The end-of-chapter exercises then test student understanding of the concepts presented in each chapter. These exercises are available in MyLab Economics and include multiple-choice, graph drawing, and free-response items, many of which are generated algorithmically so that each time a student works them, a different variation is presented. New to this edition are accessible versions of exercises in MyLab Economics that ask students to draw a graph. These accessible versions present the same question in a different form, which will allow every student the same opportunity to practice their knowledge of the key principles explored in the text.

New to this edition are the Critical Thinking exercises included in the end-of-chapter section. Every Critical Thinking exercise will be available in MyLab Economics as an essay question. These open-ended, thought-provoking questions challenge students to think more deeply about and apply the key concepts presented within the chapters.

**Illustrating the Key Principles of Economics**

These big picture concepts are also well-illustrated in the figures and tables included in the text. Animated graphs in MyLab Economics help students understand shifts in curves, movements along curves, and changes in equilibrium values. For every figure in the book, there is also an exercise directly related to that figure in MyLab Economics.

**Developing Employability Skills**

For students to succeed in a rapidly changing job market, they need thinking and communication skills. In addition, they need to be informed about career options and the pathway from college student to productive employee. This book—along with the MyLab—promotes skill development and career awareness.

We added a new section to Chapter 1 on page 10, “Employability: Economic Logic on the Job,” where we discuss how economics promotes the sort of critical thinking and communication skills that employers value in their workers. Additionally, we discuss the role of economics in a liberal-arts education in building thinking skills that make a worker responsive to changes in the workplace. We also point readers to the U.S. Bureau of Labor Statistics as a good source of information about career paths that start with course work in economics.

Economics is the science of choice, and the book clearly illustrates the widespread application of economics. Throughout the book we use examples from business, government, and other organizations to show the practical deployment of economics to all sorts of decisions. This approach applies economic concepts with real-world situations, and thus imparts critical thinking skills to workers in all sorts of organizations. We deliver these practical applications in the text itself, as well as in chapter openers and 3 to 5 applications per chapter.

**APPLICATION 1**

**DON’T FORGET THE COSTS OF TIME AND INVESTED FUNDS**

**APPLYING THE CONCEPTS #1: What is the opportunity cost of running a business?**

Suppose you have the opportunity to develop a software application (an app). It would take you 1,000 hours (half a year) to design and test the app. To develop the app, you need a high-powered computer that has a purchase price of $5,000 and can be resold at any time for the same price. What is the cost of developing the app?

We can use the principle of opportunity cost to compute the development cost. If you could rent an $4 per hour as a part-time job, how much would you be giving up in terms of income by not working full time? A software developer earns $50 per hour. If you have a savings account that earns 6 percent per year, the opportunity cost of running $5000 x the computer for half a year instead of the savings account is $195. Adding the opportunity cost of your time to the opportunity cost of your funds, the cost of developing the app is $195.

Related to Exercise 1.7.

**How Is The Book Organized?**

Chapter 1, “Introduction: What Is Economics?” uses three current policy issues—traffic congestion, the trade-offs from international trade, and the recovery from the financial crisis of 2007—to explain the economic way of thinking. Chapter 2, “The Key Principles of Economics,” introduces the five principles we return to throughout the book. Chapter 3, “Exchange and Markets,” is devoted entirely to exchange and trade. We discuss the fundamental rationale for exchange and introduce some of the institutions modern societies developed to facilitate trade.
Students need to have a solid understanding of demand and supply to be successful in the course. Many students have difficulty understanding movement along a curve versus shifts of a curve. To address this difficulty, we developed an innovative way to organize topics in Chapter 4, “Demand, Supply, and Market Equilibrium.” We examine the law of demand and changes in quantity demanded, the law of supply and changes in quantity supplied, and then the notion of market equilibrium. After students have a firm grasp of equilibrium concepts, we explore the effects of changes in demand and supply on equilibrium prices and quantities. You can present either macroeconomics or microeconomics chapters first, depending on your preference.

**Summary of the Chapters**

A course in microeconomics starts with the first four chapters of the book, which provide a foundation for more detailed study of individual decision making and markets.

Part 2, “A Closer Look at Demand and Supply” (Chapters 5 through 7), provides a closer look at demand and supply, including elasticity, market efficiency, and consumer choice. Part 3, “Market Structures and Pricing” (Chapters 8 through 13), starts with a discussion of production and costs, setting the stage for an examination of alternative market structures, including the extremes of perfect competition and monopoly, as well as the middle ground of monopolistic competition and oligopoly. The last chapter in Part 3 discusses antitrust policy and deregulation. Part 4, “Externalities and Information” (Chapters 14 through 16), discusses the circumstances under which markets break down, including imperfect information, public goods, and environmental degradation.

Part 5, “The Labor Market and Income Distribution” (Chapter 17), explores the economic forces that determine wages, and also examines recent changes in the distribution of income and the effects of government programs on the income distribution.

While international applications occur throughout the text, we devote two chapters specifically to international trade and finance. Chapter 18 develops the theory of international trade and discusses a wide range of policy topics including protectionism and what role international trade agreements play in today’s world. In Chapter 19, we study international finance. We discuss how exchange rates are determined, our experiences with fixed and flexible exchange rates, and how international financial crises develop.

**Instructor Teaching Resources**

This program comes with the following teaching resources.

<table>
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<td>Instructor’s Manual</td>
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<td>Approaching the Material; student-friendly examples to introduce the chapter</td>
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<td>Summary and discussion points for the Applications in the main text</td>
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<td>New Applications and discussion questions</td>
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<tr>
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<td>Solutions to all end-of-chapter exercises.</td>
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</tbody>
</table>

| Test Bank | 6,000 multiple-choice, true/false, short-answer, and graphing questions. Test questions are annotated with the following information: |
| Authored by Brian Rosario of American River College | Difficult: 1 for straight recall, 2 for some analysis, 3 for complex analysis |
| | Type: multiple-choice, true/false, short-answer, essay |
| | Topic: the term or concept the question supports |
| | Learning outcome |
| | AACSB |
| | Page number in the text. |

| Computerized TestGen | TestGen allows instructors to: |
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