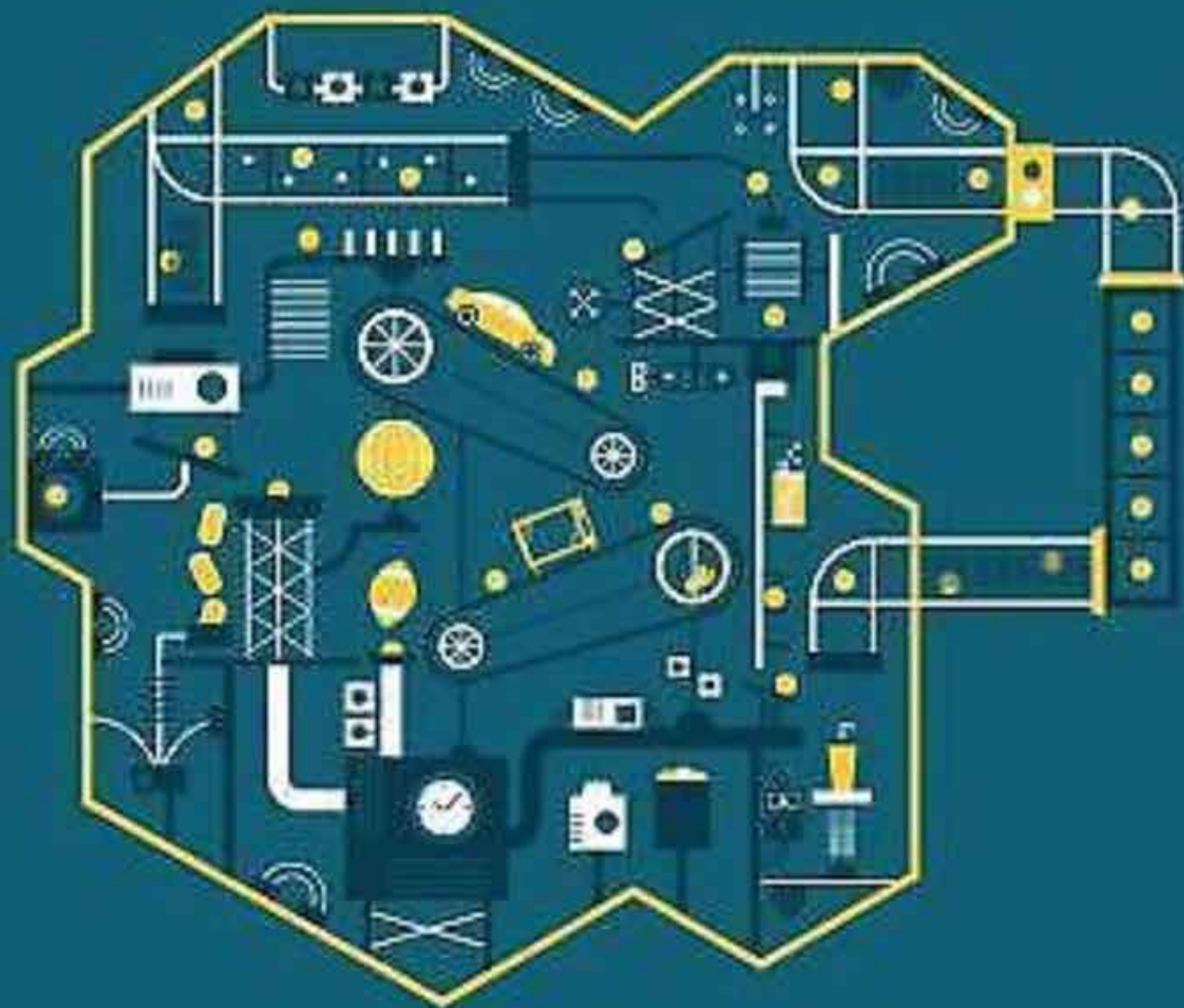


Principles of **Economics**



Dirk Mateer

Lee Coppock



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Principles of Economics

Principles of Economics

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To my father, who gave up a successful career in business and found his passion teaching finance. Thanks for encouraging me to become a teacher as well.

D.M.

To Krista: Many women do noble things, but you surpass them all.—Proverbs 31:29

L.C.

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PREFACE

Preface to the First Edition

We are teachers of principles of economics. That is what we do. We each teach principles of microeconomics and macroeconomics to over a thousand students a semester, every single semester, at the University of Kentucky and the University of Virginia.

We decided to write our own text for one big reason. We simply were not satisfied with the available texts and felt strongly that we could write an innovative book to which dedicated instructors like us would respond. It's not that the already available texts are bad or inaccurate—it's that they lack an understanding of what we, as teachers, have learned through fielding the thousands of questions that our students have asked us over the years. We do not advise policy makers, but we do advise students, and we know how their minds work.

For instance, there really is no text that shows an understanding for where students consistently trip up (for example, cost curves) and therefore provides an additional example, or better yet, a worked exercise. There really is no text that is careful to reinforce new terminology and difficult sticking points with explanations in everyday language. There really is no text that leverages the fact that today's students are key participants in the twenty-first-century economy, and that uses examples and cases from markets in which they interact all the time (for example, the markets for cell phones, social networking sites, computing devices, online book sellers, etc.).

What our years in the classroom have brought home to us is the importance of meeting students where they are. This means knowing their cultural touchstones and trying to tell the story of economics with those touchstones in mind. In our text we meet students where they are through resonance and reinforcement. In fact, these two words are our mantra—we strive to make each topic resonate and then make it stick through reinforcement.

Whenever possible, we use student-centered examples that resonate with students. For instance, many of our examples refer to jobs that students often hold and businesses that often employ them. If the examples resonate, students are much more likely to dig into the material wholeheartedly and internalize key concepts.

When we teach, we try to create a rhythm of reinforcement in our lectures that begins with the presentation of new material, followed by a concrete example, followed by a reinforcing device, and then closes with a “make it stick” moment. We do this over and over again. We have tried to bring that rhythm to the book. We believe strongly that this commitment to reinforcement works. To give just one example, in our chapter “Oligopoly and Strategic Behavior,” while presenting the crucial-yet-difficult subject of game theory, we work through the concept of the prisoner's dilemma at least six different ways.

No educator is happy with the challenge we all face to motivate our students to read the assigned text. No matter how effective our lectures are, if our students are not reinforcing those lectures by reading the assigned text chapters, they are only partially absorbing the key takeaways that properly trained citizens need to thrive in today's world. A second key motivation for us to undertake this ambitious project was the desire to create a text that students would read, week in and week out, for the entire course. By following our commitment to resonance and reinforcement, we are confident that we have written a text that's a good read for today's students. So good, in fact, that we believe students will read entire chapters and actually enjoy them. Certainly the reports from our dozens of class testers indicate that this is the case.

What do we all want? We want our students to leave our courses having internalized fundamentals that they will remember for life. The fundamentals (understanding incentives, opportunity cost, thinking at the margin, etc.) will allow them to make better choices in the workplace, their personal investments, their long-term planning, their voting, and all their critical choices. The bottom line is that they will live more fulfilled and satisfying lives if we succeed. The purpose of this text is to help you succeed in your quest.

What does this classroom-inspired, student-centered text look like?

A Simple Narrative

First and foremost, we keep the narrative simple. We always bear in mind all those office-hour conversations with students where we searched for some way to make sense of this foreign language—for them—that is economics. It is incredibly satisfying when you find the right expression, explanation, or example that creates the “Oh, now I get it . . .” moment with your student. We have filled the narrative with those successful “now I get it” passages.

280 / CHAPTER 9 Firms in a Competitive Market



The Ice Cream Float, a cool idea on a hot day at the lake.

stores often close by 9 p.m. because operating overnight would not generate enough revenue to cover the costs of remaining open. Or consider the Ice Cream Float, which crisscrosses Smith Mountain Lake in Virginia during the summer months. You can hear the music announcing its arrival at the public beach from over a mile away. By the time the float arrives, there is usually a long line of eager customers waiting for the float to dock. This is a very profitable business on hot and sunny summer days. However, during the late spring and early fall the float operates on weekends only. Eventually, colder weather forces the business to shut down until the crowds return the following season. This shut-down decision is a short-run calculation. If the float were to operate during the winter, it would need to pay for employees and fuel. Incurring these variable costs when there are so few customers would result in greater total costs than simply dry-docking the boat. When the float is dry-docked over the winter, only the fixed cost of storing the boat remains.

Fortunately, a firm can use a simple, intuitive rule to decide whether to operate or shut down in the short run: if the firm would lose less by shutting down than by staying open, it should shut down. Recall that costs are broken into two parts—fixed and variable. Fixed costs must be paid whether the business is open or not. Since variable costs are only incurred when the business is open, a firm will choose to shut down if the revenue from selling its output is less than its variable costs.

Fortunately, a firm can use a simple, intuitive rule to decide whether to operate or shut down in the short run: if the firm would lose less by shutting down than by staying open, it should shut down. Recall that costs are broken into two parts—fixed and variable. Fixed costs must be paid whether the business is open or not. Since variable costs are only incurred when the business is open, a firm will choose to shut down if the revenue from selling its output is less than its variable costs.

What Effects Do Price Ceilings Have on Economic Activity? / 157

Prices act to ration scarce resources. When the demand for generators or other necessities is high, the price rises to ensure that the available units are distributed to those who value them the most. More important, the ability to charge a higher price provides sellers with an incentive to make more units available. If there is limited ability for the price to change when demand increases, there will be a shortage. Therefore, price gouging legislation means that devastated communities must rely exclusively on the goodwill of others and the slow-moving machinery of government relief efforts. This closes off a third avenue, entrepreneurial activity, as a means to alleviate poor conditions.

Figure 5.5 shows how price gouging laws work and the shortage they create. If the demand for gas generators increases immediately after a disaster (D_{after}), the market price rises from \$530 to \$900. But since \$900 is considered excessive, sales at that price are illegal. This creates a binding price ceiling for as long as a state of emergency is in effect. Whenever a price ceiling is binding, it creates a shortage. You can see this in Figure 5.5 in the difference between quantity demanded and quantity supplied at the price ceiling level mandated by the law. In this case, the normal ability of supply and demand to ration the available generators is short-circuited. Since more people demand generators after the disaster than before it, those who do not get to the store soon enough are out of luck. When the emergency is lifted and the market returns to normal, the temporary shortage created by legislation against price gouging is eliminated.



Large generator: \$900 after Hurricane Wilma hit.



Examples and Cases That Resonate and Therefore Stick

Nothing makes this material stick for students like good examples and cases that they relate to, and we have peppered our book with them. They are not in boxed inserts. They are part of the narrative, set off with an Economics in the Real World heading.



ECONOMICS IN THE REAL WORLD

The Wii Rollout and Changes in the Video Game Industry



The Wii rollout generated long waiting lines.

When Nintendo launched the Wii console in late 2006, it fundamentally changed the gaming industry. The Wii uses motion-sensing technology. Despite relatively poor graphics, it provided a completely different gaming experience from its competitors, Playstation 3 (PS3) and the Xbox 360. Yet the PS3 and Xbox 360 had larger storage capacities and better graphics, in theory making them more attractive to gamers than the Wii.

During the 2006 holiday shopping season, the three systems had three distinct price points:

Wii = \$249
Xbox = \$399

Wii and Xbox 360 outsold the PS3, but the PS3 had the highest profit margin. The PS3's higher price point was due to its higher production costs.



ECONOMICS IN THE REAL WORLD

Blockbuster and the Dynamic Nature of Change

What happens if your customers do not return? What if you simply had a bad idea to begin with, and the customers never arrived in the first place?

When the long-run profit outlook is bleak, the firm is better off shutting down. This is a normal part of the ebb and flow of business. For example, once there were thousands of buggy whip companies. Today, as technology has improved and we no longer rely on horse-drawn carriages, few buggy whip makers remain. However, many companies now manufacture automobile parts.

Similarly, a succession of technological advances has transformed the music industry. Records were replaced by 8-track tapes, and then by cassettes. Already, the CD is on its way to being replaced by better technology as iPods, iPhones, and MP3 players make music more portable and as web sites such as Pandora and Spotify allow live streaming of almost any selection a listener wants to hear. However, there was a time when innovation meant playing music on the original Sony Walkman. What was cool in the early 1980s is antiquated today. Any business engaged in distributing music has had to adapt or close.

Similar changes are taking place in the video rental industry. Blockbuster was founded in 1982 and experienced explosive growth, becoming the nation's largest video store chain by 1988. The chain's growth was fueled by its large selection and use of a computerized tracking system that made the checkout process faster than the one at competing video stores. However, by the early 2000s Blockbuster faced stiff competition from online providers like Netflix and in-store dispensers like Redbox. Today, the chain has one-quarter the number of employees it once had and its future is very uncertain.

In addition to changes in technology, other factors such as downturns in the economy, changes in tastes, demographic factors, and migration can all force businesses to close. These examples remind us that the long-run decision to go out of business has nothing to do with the short-term profit outlook. *

So far, we have examined the firm's decision-making process in the short run in the context of revenues versus costs. This has enabled us to determine the profits each firm makes. But now we pause to consider *sunk costs*, a special type of cost that all firms, in every industry, must consider when making decisions.



Blockbuster's best days are long gone.

Reinforcers

Practice What You Know boxes are in-chapter exercises that allow students to self-assess while reading and provide a bit more hand-holding than usual. While other books have in-chapter questions, no other book consistently frames these exercises within real-world situations that students relate to.

PRACTICE WHAT YOU KNOW

Income Elasticity


Question: A college student eats ramen noodles twice a week and earns \$300/week working part-time. After graduating, the student earns \$1,000/week and eats ramen noodles every other week. What is the student's income elasticity?

Answer: The income elasticity of demand using the midpoint method is

$$E_i = \frac{Q_2 - Q_1}{(Q_1 + Q_2) \div 2} \div \frac{I_2 - I_1}{(I_1 + I_2) \div 2}$$

$$= \frac{5 - 2.0}{(2.0 + 0.5) \div 2} \div \frac{-\$300}{(\$300 + \$1000) \div 2}$$

$$E_i = \frac{-1.5 \div 1.25}{\$700 \div \$650}$$




Yummy, or all you can afford?


emand is positive for normal goods and negative for inferior goods. The negative coefficient indicates that ramen noodles are an inferior good in the range of income—in this example, between \$300 and \$1,000 per week. This should confirm your intuition. The higher post-graduation income causes the student to substitute away from ramen noodles for more nutritious and enjoyable foods.

PRACTICE WHAT YOU KNOW

Shift or Slide?



Cheap pizza or . . .



. . . cheap drinks?

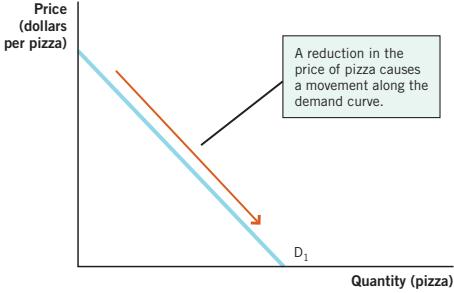
Suppose that a local pizza place likes to run a “late-night special” after 11 p.m. The owners have contacted you for some advice. One of the owners tells you, “We want to increase the demand for our pizza.” He proposes two marketing ideas to accomplish this:

1. Reduce the price of large pizzas.
2. Reduce the price of a complementary good—for example, offer two half-priced bottles or cans of soda with every large pizza ordered.

Question: What will you recommend?

Answer: First, consider why “late-night specials” exist in the first place. Since most people prefer to eat dinner early in the evening, the store has to encourage late-night patrons to buy pizzas by stimulating demand. “Specials” of all sorts are used during periods of low demand when regular prices would leave the establishment largely empty.

Next, look at what the question asks. The owners want to know which option would “increase demand” more. The question is very specific; it is looking for something that will increase (or shift) demand.



(CONTINUED)

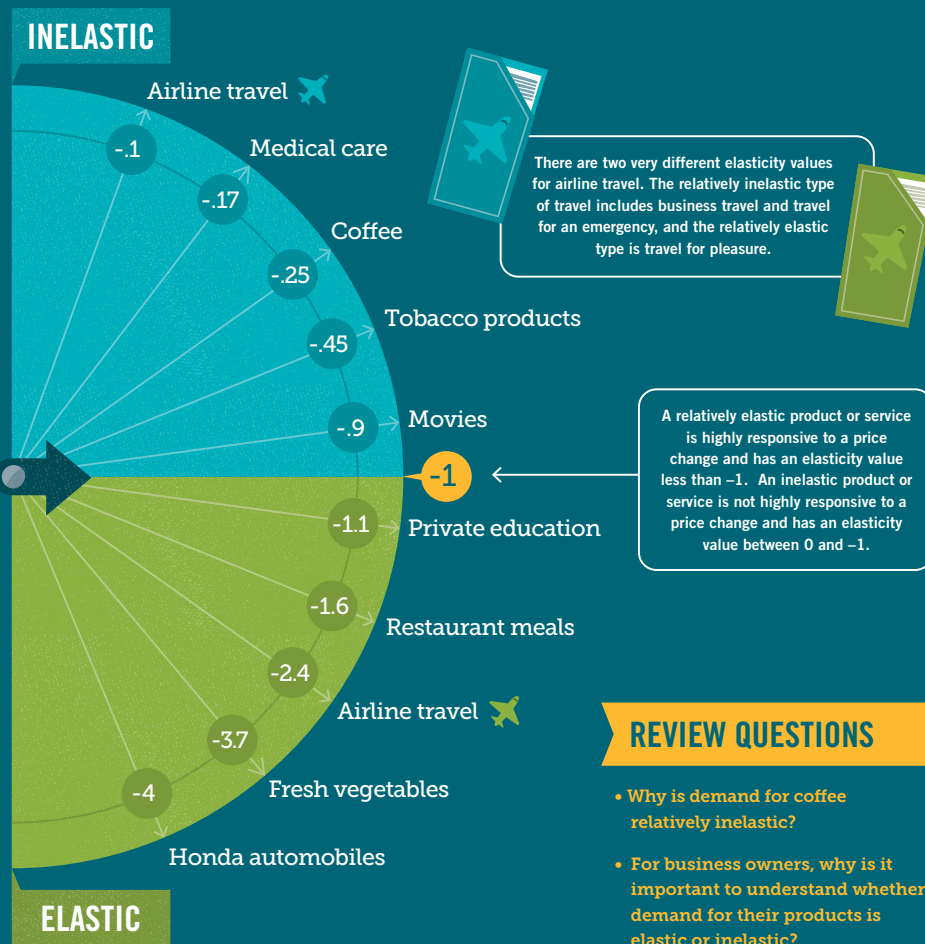
Additional Reinforcers

Another notable reinforcement device is the Snapshot that appears in each chapter. We have used the innovation of modern infographics to create a memorable story that reinforces a particularly important topic.

SNAPSHOT

Price Elasticity of Demand

Determining the price elasticity of demand for a product or service involves calculating the responsiveness of quantity demanded to a change in the price. The chart below gives the actual price elasticity of demand for ten common products and services. Remember, the number is always negative because of the inverse relationship between price and the quantity demanded. Why is price elasticity of demand important? It reveals consumer behavior and allows for better pricing strategies by businesses.



REVIEW QUESTIONS

- Why is demand for coffee relatively inelastic?
- For business owners, why is it important to understand whether demand for their products is elastic or inelastic?

We have two additional elements that may seem trivial to you as a fellow instructor, but we are confident that they will help to reinforce the material with your students. The first appears near the end of each chapter, and is called Economics for Life. The goal of this insert is to apply economic reasoning to important decisions that your students will face early in their post-student lives, such as buying or leasing a car. And the second is Economics in the Media. These boxes refer to classic scenes from movies and TV shows that deal directly with economics. One of us has written the book (literally!) on economics in the movies, and we have used these clips year after year to make economics stick with students.

Costs in the Short Run

The Office

The popular TV series *The Office* had an amusing episode devoted to the discussion of costs. The character Michael Scott establishes his own paper company to compete with both Staples and his former company, Dunder Mifflin. He then outcompetes his rivals by keeping his fixed and variable costs low.

In one inspired scene, we see the Michael Scott Paper Company operating out of a single room and using an old church van to deliver paper. This means the company has very low *fixed costs*, which enables it to charge unusually low prices. In addition, Michael Scott keeps *variable costs* to a minimum by hiring only essential employees and not paying any benefits, such as health insurance. But this is a problem, since Michael Scott does not fully account for the cost of the paper he is selling. In fact, he is selling below unit cost!

As we will discover in upcoming chapters, firms with lower costs have many advantages in the market. Such firms can keep their prices lower to attract additional customers. Cost matters because price matters.



ECONOMICS IN THE MEDIA

Price Elasticity of Supply and Demand: Buying Your First Car



ECONOMICS FOR LIFE

When you buy a car, your knowledge of price elasticity can help you negotiate the best possible deal.

Recall that the three determinants of price elasticity of demand are (1) the share of the budget, (2) the number of available substitutes, and (3) the time you have to make a decision.

Let's start with your budget. You should have one in mind, but don't tell the salesperson what you are willing to spend; that is a vital piece of personal information you want to keep to yourself. If the salesperson suggests that you look at a model that is too expensive, just say that you are not interested. You might reply, "Buying a car is a stretch for me; I've got to stay within my budget." If the salesperson asks indirectly about your budget by inquiring whether you have a particular monthly payment in mind, reply that you want to negotiate over the invoice price once you decide on a vehicle. Never negotiate on the sticker price, which is the price you see in the car window, because it includes thousands of dollars in markup. You want to make it clear to the salesperson that the price you pay matters to you—that is, your demand is elastic.

Next, make it clear that you are gathering information and visiting other dealers. That is, reinforce that you have many available substitutes. Even if you really want a Honda, do not voice that desire to the Honda salesperson. Perhaps mention that you are also visiting the Toyota, Hyundai, and Ford showrooms. Compare what you've seen on one lot versus another. Each salesperson you meet should hear that you are seriously considering other options. This indicates to each dealership that your demand is elastic and that getting your business will require that they offer you a better price.

Taking your time to decide is also important. Never buy a car the first time you walk onto a lot. If you convey the message that you want a car immediately, you are saying that your demand is inelastic. If the dealership thinks that you have no flexibility, the staff will not give you their best offer. Instead, tell the salesperson that you appreciate their help and that you will be deciding over the next few weeks.

A good salesperson will know you are serious and will ask for your phone number or email address and contact you. The salesperson will sweeten the deal if you indicate you are narrowing down your choices and they are in the running. You wait. You win.

Also know that salespeople and dealerships have times when they want to move inventory. August is an especially good month to purchase. In other words, the price elasticity of supply is at work here as well. A good time to buy is when the dealer is trying to move inventory to make room for new models, because prices fall for end-of-the-model-year closeouts. Likewise, many sales promotions and sales bonuses are tied to the end of the month, so salespeople will be more eager to sell at that time.



Watch out for shady negotiation practices!

Big-Picture Pedagogy

Chapter-Opening Misconceptions

When we first started teaching we assumed that most of our students were taking economics for the first time and were therefore blank slates that we could draw on. Boy, were we wrong. We now realize that students come to our classes with a number of strongly held misconceptions about economics and the economy, so we begin each chapter recognizing that fact and then establishing what we will do to clarify that subject area.

Big Questions

After the opening misconception, we present the learning goals for the chapter in the form of Big Questions. We come back to the Big Questions in the conclusion to the chapter with Answering the Big Questions.

CHAPTER

12

Monopolistic Competition and Advertising

Advertising increases the price of products without adding value for the consumer.

If you drive down a busy street, you will find many competing businesses, often right next to one another. For example, in most places a consumer in search of a quick bite has many choices, and more fast-food restaurants appear all the time. These competing firms advertise heavily. The temptation is to see advertising as driving up the price of a product, without any benefit to the consumer. However, this misconception doesn't account for why firms advertise. In markets where competitors sell slightly differentiated products, advertising enables firms to inform their customers about new products and services; yes, costs rise, but consumers also gain information to help make purchase decisions.

MISCONCEPTION

In this chapter, we look at *monopolistic competition*, a widespread market structure that has features of both competitive markets and monopoly. We also explore the benefits and disadvantages of advertising, which is prevalent in markets with monopolistic competition.

BIG QUESTIONS

- * What is monopolistic competition?
- * What are the differences among monopolistic competition, competitive markets, and monopoly?
- * Why is advertising prevalent in monopolistic competition?

ANSWERING THE BIG QUESTIONS

What is monopolistic competition?

- * Monopolistic competition is a market characterized by free entry and many firms selling differentiated products.
- * Differentiation of products takes three forms: differentiation by style or type, location, and quality.

What are the differences among monopolistic competition, competitive markets, and monopoly?

- * Monopolistic competitors, like monopolists, are price makers who have downward-sloping demand curves. Whenever the demand curve is downward sloping, the firm is able to mark up the price above marginal cost. This leads to excess capacity and an inefficient level of output.
- * In the long run, barriers to entry enable a monopoly to earn an economic profit. This is not the case for monopolistic competition or competitive markets.

Why is advertising prevalent in monopolistic competition?

- * Advertising performs useful functions under monopolistic competition: it conveys information about the price of the goods offered for sale, the location of products, and new products. It also signals differences in quality. However, advertising also encourages brand loyalty, which makes it harder for other businesses to successfully enter the market. Advertising can be manipulative and misleading.

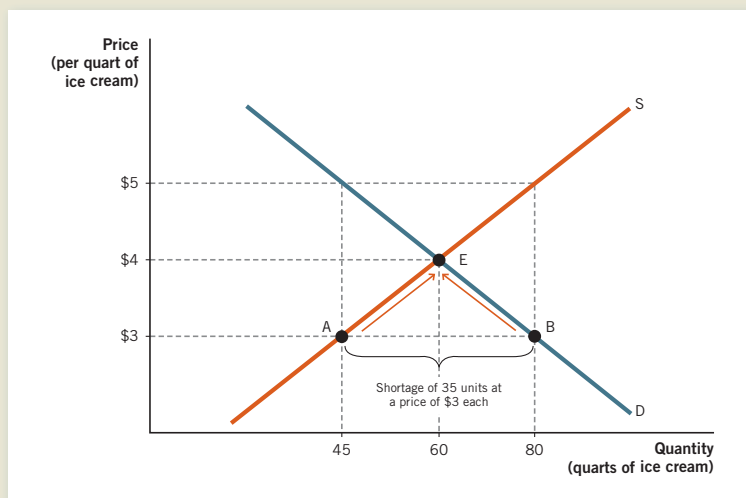
Solved Problems

Last but certainly not least, we conclude each chapter with two fully solved problems that appear in the end-of-chapter material.

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SOLVED PROBLEMS

5.



- a. The equilibrium price is \$4 and quantity is 60 units (quarts). The next step is to graph the curves. This is done above.
- b. A shortage of 35 units of ice cream exists at \$3; therefore, there is excess demand. Ice cream sellers will raise their price as long as excess demand exists. That is, as long as the price is below \$4. It is not until \$4 that the equilibrium point is reached and the shortage is resolved.
8. a. The first step is to set $Q_D = Q_S$. Doing so gives us $90 - 2P = P$. Solving for price, we find that $90 = 3P$, or $P = 30$. Once we know that $P = 30$, we can plug this value back into either of the original equations, $Q_D = 90 - 2P$ or $Q_S = P$. Beginning with Q_D , we get $90 - (30) = 90 - 60 = 30$, or we can plug it into $Q_S = P$, so $Q_S = 30$. Since we get a quantity of 30 for both Q_D and Q_S , we know that the price of \$30 is correct.
- b. In this part, we plug \$20 into Q_D . This yields $90 - 2(20) = 50$. Now we plug \$20 into Q_S . This yields 20.
- c. Since $Q_D = 50$ and $Q_S = 20$, there is a shortage of 30 units.
- d. Whenever there is a shortage of a good, the price will rise in order to find the equilibrium point.

Specifics about *Principles of Microeconomics*

Principles of Microeconomics follows the traditional structure found in most texts. Why? Because it works! One difference is the separate chapter on price discrimination. We have done this because the digital economy has made price discrimination much more common than it ever was before, so what was once a fun but somewhat marginal topic is no longer marginal. Plus, students really relate to it because they are subject to it in many of the markets in which they participate—for example, college sporting events.

The consumer theory chapter has been placed toward the end of the volume, but that does not mean that we consider it an optional chapter. We have learned that there is tremendous variation among instructors for when to present this material in the course, and we wanted to allow for maximum flexibility.

Though every chapter is critical, in our opinion, supply and demand, elasticity, and production costs are the *most* fundamental, since so many other insights and takeaways build off of them. We tried triply hard to reinforce these chapters with extra examples and opportunities for self-assessment.

Specifics about *Principles of Macroeconomics*

Principles of Macroeconomics follows the traditional structure found in most texts, but it contains several chapters on new topics that reflect the latest thinking and priorities in macroeconomics. First, at the end of the unit on macroeconomic basics, we have an entire chapter on financial markets, including coverage of securitization and mortgage-backed securities. The economic crisis of 2008–2009 made everyone aware of the importance of financial markets for the worldwide economy, and students want to know more about this fascinating subject.

Economic growth is presented before the short run, and we have two chapters devoted to the topic. The first focuses on the facts of economic growth. It discusses in largely qualitative terms how nations like South Korea and Singapore can be so wealthy, and nations like North Korea and Liberia can be so impoverished. The second chapter presents the Solow model in very simple terms. We've included this chapter to highlight the importance of growth and modeling. That said, it is optional and can be skipped by those instructors who have time for only one chapter on growth.

Coverage of the short run includes a fully developed chapter on the aggregate demand–aggregate supply model, and a second chapter that uses this key model to analyze—essentially side by side—the Great Depression and the Great Recession. We feel that this is a very effective way of presenting several of the key debates within economics.

Finally, we've written a unique chapter on the federal budget, which has allowed us to discuss at length the controversial topics of entitlements and the foreign ownership of U.S. national debt.

Supplements and Media

Norton Coursepack

Bring tutorial videos, assessment, and other online teaching resources directly into your new or existing online course with the Norton Coursepack. It's easily customizable and available for all major learning management systems including Blackboard, Desire2Learn, Angel, Moodle, and Canvas.

The Norton Coursepack for *Principles of Economics* includes:

- * Concept Check quizzes
- * A limited set of adapted Norton SmartWork questions
- * Infographic quizzes
- * Office Hours video tutorials
- * Flashcards
- * Links to the e-book
- * Test bank


The Ultimate Guide to Teaching Economics

The Ultimate Guide to Teaching Economics isn't just a guide to using *Principles of Economics*, it's a guide to becoming a better teacher. Combining more than 50 years of teaching experience, authors Dirk Mateer, Lee Coppock, Wayne Geerling (Penn State University), and Kim Holder (University of West Georgia) have compiled hundreds of teaching tips into one essential teaching resource. The *Ultimate Guide* is thoughtfully designed, making it easy for new instructors to incorporate best teaching practices into their courses and for veteran teachers to find new inspiration to enliven their lectures.

The hundreds of tips in *The Ultimate Guide to Teaching Microeconomics* and *The Ultimate Guide to Teaching Macroeconomics* include:

- * Think-pair-share activities to promote small-group discussion and active learning
- * "Recipes" for in-class activities and demonstrations that include descriptions of the activity, required materials, estimated length of time, estimated difficulty, recommended class size, and instructions. Ready-to-use worksheets are also available for select activities.
- * Descriptions of movie clips, TV shows, commercials, and other videos that can be used in class to illustrate economic concepts
- * Clicker questions
- * Ideas for music examples that can be used as lecture starters
- * Suggestions for additional real-world examples to engage students

DEMONSTRATION



TIP #11 Rent Seeking and the Inefficiency of Non-Market Allocations

Teams of students will compete for "prizes," under a variety of situations.

Materials

- Four teams of students
- A deck of cards
- Files for instructor: Get additional materials for this demonstration in the interactive instructor's guide

Class Time: 20 minutes
Class Size: Any
Difficulty: Difficult

Procedure

1. Treatment 1
 Four teams of investors compete for each prize or FCC "license."
 Each team is given 13 cards of the same suit and an initial capital account of \$100,000.
 Each team can play any of their 13 cards by placing them in an envelope, so that no one else sees how many cards they played.
 Each card should be thought of as a lottery ticket in a drawing for a license that is initially worth \$16,000.
 Each lottery ticket costs the team \$3,000. (Think of this as the cost of preparing and filing the paperwork for the license.)
 The number of cards each team plays determines the chance that each team wins a random drawing based on the total number of cards entered.
 Record your teams results for round 1.
 The cards are returned to each team without revealing how many cards were played. We will repeat this process two times.

2. Treatment 2
 Now we change the earnings structure for the license, by decreasing the cost associated with filing the lottery application from \$3,000 to \$1,000.
 You can think of this as an efficiency move by the FCC that lowers the amount of paperwork and documentation required for the application.

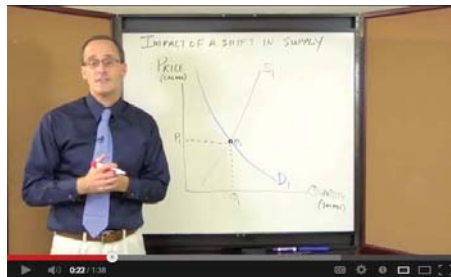
In addition to the teaching tips, each chapter begins with an introduction by Dirk Mateer, highlighting important concepts to teach in the chapter and pointing out his favorite tips. Each chapter ends with solutions to the unsolved end-of-chapter problems in the textbook.

Interactive Instructor’s Guide

The Interactive Instructor’s Guide brings all the great content from *The Ultimate Guide to Teaching Economics* into a searchable online database that can be filtered by topic and resource type. Subscribing instructors will be alerted by email as new resources are made available.

In order to make it quick and easy for instructors to incorporate the tips from *The Ultimate Guide to Teaching Economics*, the IIG will include:

- ✦ Links for video tips when an online video is available
- ✦ Links to news articles for real-world examples when an article is available
- ✦ Downloadable versions of student worksheets for activities and demonstrations
- ✦ Downloadable PowerPoint slides for clicker questions
- ✦ Additional teaching resources from dirkmateer.com and leecoppock.com



Office Hours Video Tutorials

This collection of more than 45 videos brings the office-hour experience online. Each video explains a fundamental concept and was conceived by and filmed with authors Dirk Mateer and Lee Coppock.

Perfect for online courses, each Office Hours video tutorial is succinct (90 seconds to two minutes in length) and mimics the office-hour experience. The videos focus on topics that are typically difficult to explain just in writing (or over email), such as shifting supply and demand curves.

The Office Hours videos have been incorporated throughout the Norton SmartWork online homework system as video feedback for questions, integrated into the e-book, included in the Norton Coursepack, and available in the instructor resource folder.

Test Bank

Every question in the *Principles of Economics* test bank has been author reviewed and approved. Each chapter (except Chapter 1) includes between 100 and 150 questions and incorporates graphs and images where appropriate.

The test bank has been developed using the Norton Assessment Guidelines. Each chapter of the test bank consists of three question types classified according to Bloom's taxonomy of knowledge types (Remembering, Understanding Applying, Analyzing Evaluating, and Creating). Questions are further classified by section and difficulty, making it easy to construct tests and quizzes that are meaningful and diagnostic.

Presentation Tools

Norton offers a variety of presentation tools so new instructors and veteran instructors alike can find the resources that are best suited for their teaching style.

Enhanced Lecture Powerpoint Slides

These comprehensive, "lecture-ready" slides are perfect for new instructors and instructors who have limited time to prepare for lecture. In addition to lecture slides, the slides also include images from the book, stepped-out versions of in-text graphs, additional examples not included in the chapter, and clicker questions.

Art Slides and Art JPEGs

For instructors who simply want to incorporate in-text art into their existing slides, all art from the book (tables, graphs, photos, and Snapshot infographics) will be available in both PowerPoint and .jpeg formats. Stepped-out versions of in-text graphs and Snapshot infographics will also be provided and will be optimized for screen projection.

Instructor Resource Folder

The Instructor Resource Folder includes the following resources in an all-in-one folder:

- * The test bank in ExamView format on a CD
- * Instructor's Resource Disc: PDFs of *The Ultimate Guide to Teaching Economics*, PowerPoints (enhanced lecture slides, active teaching slides, Snapshot slides, art slides, art .jpegs)
- * Office Hours video tutorial DVD

dirkmateer.com

Visit dirkmateer.com to find a library of over 100 recommended movie and TV clips, and links to online video sources to use in class.

Coming for Fall 2014: Norton SmartWork for *Principles of Economics*

Norton SmartWork is a complete learning environment and online homework course designed to (1) support and encourage the development of problem-solving skills, and (2) deliver a suite of innovative tutorials, learning tools, and assessment woven together in a pedagogically effective way.

Highlights include:

- * Pre-created assignments to help instructors get started quickly and easily
- * Guided learning tutorials to help students review each chapter objective
- * Answer-specific feedback for every question to help students become better problem solvers
- * An intuitive, easy-to-use graphing tool consistent with the coloration and notation of in-text graphs and art

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We would like to thank the literally hundreds of fellow instructors who have helped us refine both our vision and the actual words on the page for this text. Without your help, we would never have gotten to the finish line. We hope that the result is the economics teacher's text that we set out to write.

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