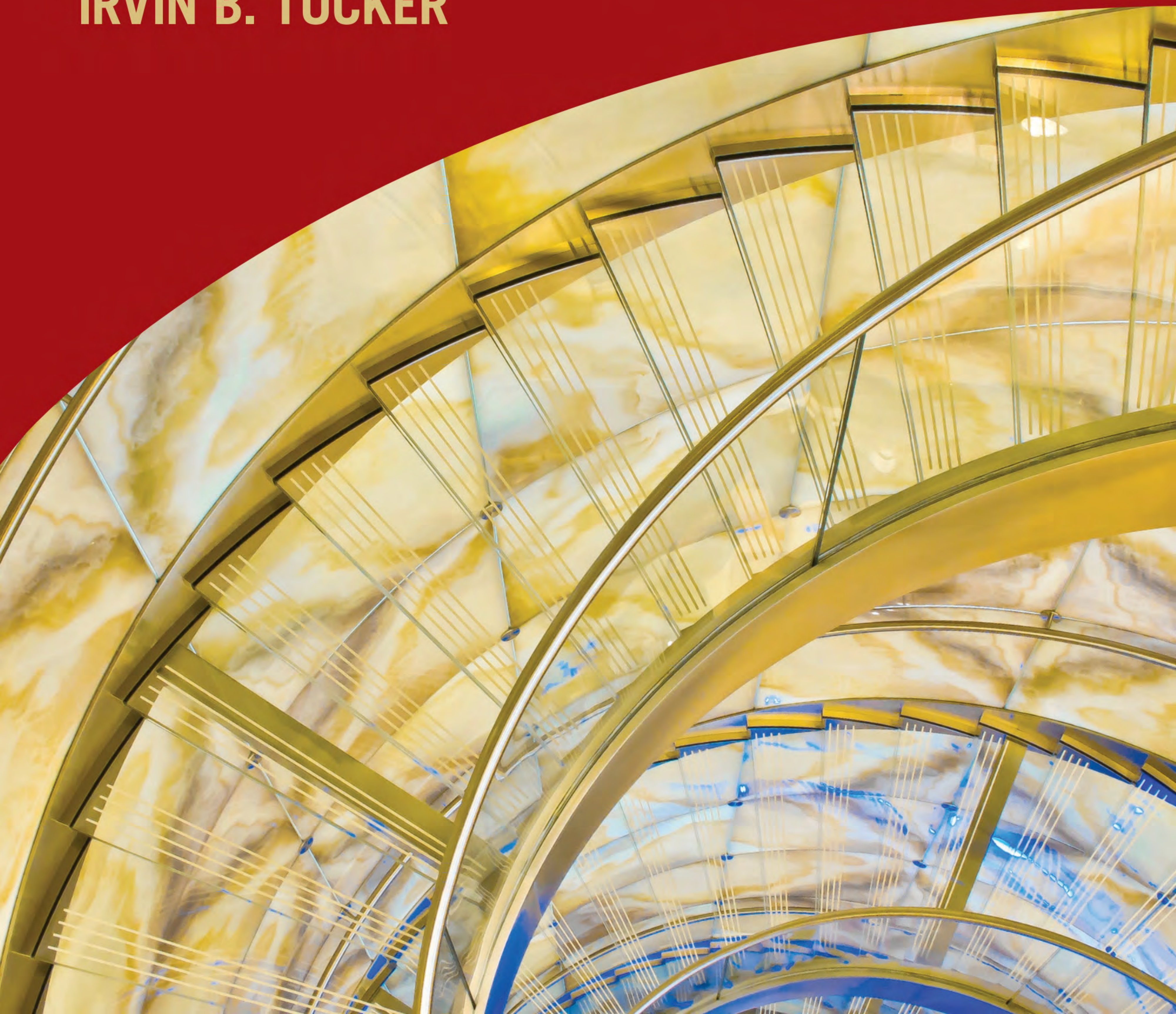


10TH EDITION

# MICROECONOMICS *for* Today

IRVIN B. TUCKER





10TH EDITION

# MICROECONOMICS *for* Today

**Irvin B. Tucker**

University of North Carolina at Charlotte



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**Microeconomics for Today,  
Tenth Edition**

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# ABOUT THE AUTHOR

## IRVIN B. TUCKER

**IRVIN B. TUCKER** was a longtime leader in economic education with over 30 years of experience teaching introductory economics at the University of North Carolina at Charlotte. He earned his B.S. in economics at N.C. State University and his M.A. and Ph.D. in economics from the University of South Carolina. Dr. Tucker served as executive director of the S.C. Council of Education and director of the Center for Economic Education at the University of North Carolina at Charlotte. Dr. Tucker is recognized for his ability to relate basic principles to economic issues and public policy. His work has received national recognition by being awarded the Meritorious Levy Award for Excellence in Private Enterprise Education, the Federation of Independent Business Award for Postsecondary Educator of the Year in Entrepreneurship and Economic Education, and the Freedom Foundation's George Washington Medal for Excellence in Economic Education. In addition, his research has been published in numerous professional economics journals on a wide range of topics including industrial organization, entrepreneurship, and economics of education. Dr. Tucker is also the author of the highly successful *Survey of Economics*, tenth edition, a text for the one-semester principles of economics courses, published by Cengage Learning.







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# AVAILABLE VERSIONS

## The Four Versions of This Book

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

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









# PREFACE

## TEXT WITH A MISSION

The purpose of *Economics for Today*, tenth edition, is to teach, in an engaging style, the basic operations of the U.S. economy to students who will take a two-term economics course. Rather than taking an encyclopedic approach to economic concepts, *Economics for Today* focuses on the most important tools in economics and applies these concepts to clearly explain real-world economic issues and events.

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

## HOW IT FITS TOGETHER

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

## TEXT FLEXIBILITY

The full version of *Economics for Today* is easily adapted to an instructor’s preference for the sequencing of microeconomics and macroeconomics topics. This text can be used in a macroeconomic–microeconomic sequence by teaching the first four chapters and then Parts 5 through 7. Next, microeconomics is covered in Parts 2 through 4. Finally, the course can be completed with Part 8, consisting of three chapters devoted to international economics.



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

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

## HOW NOT TO STUDY ECONOMICS

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

For students who are anxious about using graphs, the Appendix to Chapter 1 provides a brief review of graphical analysis. In addition, Graph Builder in the Tucker MindTap product contains step-by-step features on how to construct and interpret graphs. Moreover, and new to this edition, Videos entitled “GuideMe Videos” (A Graphing Tutorial for Students) are found in the Tucker MindTap product that explain numerous key graphs throughout the textbook.

## CHANGES TO THE TENTH EDITION

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

- Chapter 1, Introducing the Economic Way of Thinking, recognizes that students taking introductory, college-level economics courses are considering their major. One reason to select economics is that the average starting salary for an undergraduate economics major is higher compared to many other majors. To aid their decision, current average starting salary figures for selected majors have been updated. In addition, the *You’re the Economist* feature on the Minimum Wage has been



updated with the positive and normative arguments both for and against the minimum wage.

- Chapter 2, Production Possibilities, Opportunity Cost, and Economic Growth has an updated discussion on how public investment in infrastructure can promote economic growth and enhance the average absolute standard of living for a nation.
- Chapter 4, Markets in Action, has updated the *You're the Economist* feature entitled “Rigging the Market for Milk” to reflect the latest changes in government’s attempts at supporting farm incomes.
- Chapter 9, Monopoly, has an example of the “sharing economy” that has been updated in the *You're the Economist* on New York Taxicabs. This feature now concludes with a discussion of the unregulated rideshares market with companies like Uber and Lyft.
- Chapter 11, Labor Markets, has a new *Checkpoint* that asks students to consider a business’ location decision based on union membership.
- Chapter 12, Income Distribution, Poverty, and Discrimination, has been updated with the latest figures on family income distribution and poverty rates. In addition, Chapter 12 also has a new *You're the Economist* feature that focuses on the growing income and wealth inequality in the United States. The other *You're the Economist* that addresses fair pay for females has been updated. These features generate great interest for students.
- Chapter 14, Environmental Economics, has an updated *You're the Economist* on climate change that incorporates the Paris Climate Agreement.
- Chapter 15, International Trade and Finance, has updated data for international balance of payments and trade.
- Chapter 16, Economies in Transition, has greater clarification on the differences between capitalism and socialism and why all real-world economies are mixed economies. This chapter also features a new *You're the Economist* entitled “The unrealistic path to communism.” In addition, there is a new *Global Economics* section that points to a satellite photo of North Korea as perhaps a compelling testimony to the long-run failure of undemocratic command economies. Students should find this interesting.
- Chapter 17, Growth and the Less-Developed Countries, presents updated data ranking countries by their GDP per capita. It also presents updated data comparing regions of the world by their average GDP per capita. Here, updated data is used to explain the link between economic freedom and quality-of-life indicators. There is a new *You're the Economist* section entitled “India and China’s Economic Growth: An Updated Version of Aesop’s Tale” that probes the ingredients for sustained economic growth.

## ALTERNATIVE VERSIONS OF THE BOOK

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

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



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

The Available Versions accompanying table on page xxi shows precisely which chapters are included in each book. Instructors who want more information about these alternative versions should contact their local Cengage learning consultant.

## MOTIVATIONAL PEDAGOGICAL FEATURES

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

### Part Openers

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

### Chapter Previews

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

### Margin Definitions and Flashcards

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

### You're the Economist

Each chapter includes boxed inserts that provide the acid test of "relevance to everyday life." This feature gives the student an opportunity to encounter timely, real-world extensions of economic theory. For example, students read about Fred Smith as he writes an economics term paper explaining his plan to create FedEx. To ensure that the student wastes no time figuring out which concepts apply to the article, applicable concepts are listed after each title. Several of these boxed features include quotes from newspaper articles over a period of years demonstrating that economic concepts remain relevant over time. Many of these boxed features have been updated or changed in the tenth edition to reflect the latest issues, developments, and relevant applications of economics for students today.



## Conclusion Statements

Throughout the chapters, highlighted conclusion statements of key concepts appear at the ends of sections and tie together the material just presented. Students will be able to see quickly if they have understood the main points of the section. A summary of these conclusion statements is provided at the end of each chapter.

## Global Economics

Today's economic environment is global. *Economics for Today* carefully integrates international topics throughout the text and presents the material using a highly readable and accessible approach designed for students with no training in international economics. All sections of the text that present global economics are identified by a special global icon in the text margin and in the *Global Economics* boxes. In addition, the final three chapters of the book are devoted entirely to international economics.

## Analyze the Issue

This feature follows each *You're the Economist* and *Global Economics* feature and asks specific questions that require students to test their knowledge of how the material in the boxed insert is relevant to the applicable concept. To allow these questions to be used in classroom discussions or homework assignments, answers are provided in the Instructor's Manual rather than in the text.

## Checkpoint

Watch for these! Who said learning economics can't be fun? This feature is a unique approach to generating interest and critical thinking. These questions spark students to check their progress by asking challenging economics puzzles in game-like style. Students enjoy thinking through and answering the questions, and then checking the answers at the end of the chapter. Students who answer correctly earn the satisfaction of knowing they have mastered the concepts. Many of these have been updated for the tenth edition to pique interest and to apply to the experiences of students today.

## Exhibits

Attractive large graphical presentations with grid lines and real-world numbers are essential for any successful economics textbook. Each exhibit has been carefully analyzed to ensure that the key concepts being represented stand out clearly. Brief descriptions are included with graphs to provide guidance for students as they study the graph. The MindTap course brings these exhibits to life:

- Students can interact with selected exhibits via Graph Builder.
- Students can watch detailed explanations of selected exhibits via GuideMe Videos (A graphing tutorial for students.)



## Causation Chain Game

This will be one of your favorites. The highly successful causation chains are included under many graphs throughout the text. This pedagogical device helps students visualize complex economic relationships in terms of simple box diagrams that illustrate how one change causes another change. Each exhibit has a causation chain in the text, and a correlating in the animated causation chain game exercise in the Tucker MindTap product. Arrange the blocks correctly to win the game.

## Key Concepts

Key concepts introduced in the chapter are listed at the end of each chapter and defined in the margins. Visit the Tucker MindTap to access for interactive flashcards.

## Visual Summaries

Each chapter ends with a brief point-by-point summary of the key concepts. Many of these summarized points include miniaturized versions of the important graphs and causation chains that illustrate many of the key concepts. These are intended to serve as visual reminders for students as they finish the chapters and are also useful in reviewing and studying for quizzes and exams.

## Study Questions and Problems

These end-of-chapter questions and problems offer a variety of levels ranging from straightforward recall to deeply thought-provoking applications. The answers to odd-numbered questions and problems are found in Appendix A in the back of the text. This feature gives students immediate feedback without requiring the instructor to check their work. The even-numbered answers are found in the Instructor's Manual.

## End-of-Chapter Sample Quizzes

These particular assessments are a great help before quizzes. Many instructors test students using multiple-choice questions. For this reason, the final section of each chapter provides the type of multiple-choice questions given in the test bank. The answers are readily available to students to help them learn the material and are found in Appendix B at the end of the textbook. In addition to the end-of-chapter sample quizzes, each section quiz appears in the Tucker MindTap product. Each quiz contains multiple questions like those found on a typical exam. Feedback is included for each answer so that you may know instantly why you have answered correctly or incorrectly. Between this feature and the end-of-chapter sample quizzes, students are well prepared for tests. Finally, the Instructor's Manual also contains four to five multiple choice questions per chapter that can also be used to engage students with the material.

## Road Maps

This feature concludes each sectioned part with review questions listed by chapter from the particular part. To reinforce the concepts, each set of questions relates to



the interactive causation chain game that is available in the Tucker MindTap product. This makes learning fun. Answers to the questions are also found in Appendix C in the back of the text.

## A SUPPLEMENTS PACKAGE DESIGNED FOR SUCCESS

Tucker is known for its unequalled resources for instructors and students. To access additional course material for *Economics for Today*, visit [www.cengagebrain.com](http://www.cengagebrain.com). At the CengageBrain.com home page, search for “Tucker” using the search box on the page. This will take you to the product page where these resources can be found. For additional information, contact your Cengage learning consultant.

## INSTRUCTORS RESOURCES

### Tucker Companion Site

The Tucker website at [www.cengagebrain.com](http://www.cengagebrain.com) provides open access to PowerPoint chapter review slides; an instructor’s manual prepared by Douglas Copeland of Johnson County Community College, available in various formats; updates to the text, describing key concepts relevant to the current states of economics and the world today; PowerPoint lecture tools elaborating on key concepts and exhibits, which can be used as supplies or can be customized for instructor intentions; and test banks in various downloadable formats.

## STUDENT RESOURCES

### MindTap for Tucker

MindTap engages students and aids them in consistently producing their best work. By seamlessly integrating course material with interactive media, step-by-step graphing, activities, apps, and much more, MindTap creates a unique learning path for courses that foster increased comprehension and efficiency of material.

- MindTap delivers real-world relevance with activities, assignments, homework, media, and study tools that help students build critical thinking and analytic skills that will carry over to their professional lives.
- MindTap helps students stay organized and efficient with a single destination that reflects what’s important to the instructor and the tools to master that content. MindTap empowers students to get their “game face on” by motivating them with competitive benchmarks in performance.
- Relevant readings, multimedia, and activities are designed to take students up the levels of learning from basic knowledge to analysis and application.
- Graph Builder exercises enable students to practice building their own graphs and honing the skills to do so for application both in the course and real-life situations.



- Students can watch detailed explanations of selected exhibits via GuideMe Videos (A Graphing Tutorial for Students) that explain numerous key graphs throughout the textbook.
- Analytics and reports provide a snapshot of class progress, time in course, engagement and completion rates.
- Homework and the Math & Graphing Tutorial, both powered by Aplia, as well as videos that explain key graphs round out the student learning experience within MindTap that enable students to master course content.

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## A Tribute to Irvin B. Tucker

The contributing authors and the entire Cengage team want to express our heartfelt gratitude for the opportunity and the privilege to have been able to work with Irvin Tucker and this textbook over all these years. Some of us have had the honor of working with Irvin from the beginning, when this book was just a manuscript. We know of few, if any, other authors who have consistently demonstrated such a firm commitment and tireless dedication to teaching and learning. Irvin has always believed that knowledge of economics can enhance people's lives and should therefore be made accessible to everyone. And Irvin has displayed the rare ability to translate complex concepts into easily understood principles that have enriched the lives of countless numbers of students across the globe. He has made economics not only accessible but fun to learn. For this, he has distinguished himself among the very best economists of our time! He is a true complement to the profession of economics and to the noble cause of education. Beyond having earned our respect as a superb economist and author, Irvin has also been such a joy to work with. He has always been kind to everyone, willing to listen to any new ideas or suggestions, and has consistently made everyone feel needed and appreciated.



We would be remiss if we did not also make a tribute to Irvin's wife, Nonie. Nonie also possesses the traits of those you feel blessed to work with. She has also made countless meaningful contributions to this title from the very beginning. Irvin and Nonie have always been known to be "quite the team!" Thank you Irvin, and thank you Nonie! You have made the world a better place!

This edition is dedicated to Irvin B. Tucker.