

### Chapter 1

#### Scarcity, Opportunity Cost, Trade, and Models

Figure	Title	G, I, T	Page
1.1	Jill's Production Possibilities	T, G	8
1.2	Marie's Production Possibilities	T, G	8
1.3	Opportunity Costs for Jill and Marie	T	10
1.4	Mutually Beneficial Gains from Trade a) Jill's Gains from Trade b) Marie's Gains from Trade	G G	11
1.5	Circular Flow of Economic Life	I	14
1.6	Three Keys to Smart Choices	I	19

### Chapter 2

#### The Law of Demand

Figure	Title	G, I, T	Page
2.1	Your Demand for Beats Headphones	T	34
2.2	Market Demand for Water	T, G	35
2.3	Two Ways to Read a Demand Curve a) Reading the Demand Curve as a Demand Curve b) Reading the Demand Curve as a Marginal Benefit Curve	G G	36
2.4	An Increase in Demand for Beats Headphones	T, G	40
2.5	More Consumers Increase the Market Demand for Water	T, G	44
2.6	Change in Quantity Demanded versus a Change in Demand a) Change in Quantity Demanded b) Change in Demand	G G	45
2.7	Law of Demand and Changes in Demand	T	46

### Chapter 3

#### The Law of Supply

Figure	Title	G, I, T	Page
3.1	Your Supply of Hours Worked	T	55
3.2	Paola's Parlour Production Possibilities Frontier	T, G	56
3.3	Paola's Parlour's Marginal Opportunity Costs	T	58
3.4	Increasing Marginal Opportunity Cost a) Marginal Opportunity Costs of Additional Piercings Measured in Fingernail Sets b) Marginal Opportunity Cost of Additional Piercings Measured in \$	T G G	59
3.5	Market Supply of Piercings	T, G	61
3.6	Two Ways to Read a Supply Curve a) Reading the Supply Curve as a Supply Curve b) Reading the Supply Curve as a Marginal Cost Curve	G G	62
3.7	Increase in Market Supply of Piercings	T, G	65
3.8	Change in Quantity Supplied versus a Change in Supply a) Change in quantity Supplied b) Change in Supply	G G	69
3.9	Law of Supply and Changes in Supply	T	70

### Chapter 4

#### Demand and Supply

Figure	Title	G, I, T	Page
4.1	Market Demand and Supply for Piercings	T, G	81
4.2	Increase in Demand	T, G	88
4.3	Decrease in Demand	T, G	89
4.4	Increase in Supply	T, G	90
4.5	Decrease in Supply	T, G	91
4.6	The Effects of Combined Changes in Demand and Supply a) Increase in Both Demand and Supply b) Decrease in Both Demand and Supply c) Increase in Demand and Decrease in Supply d) Decrease in Demand and Increase in Supply	G G G G	93
4.7	Effects of Changes in Demand or Supply	T	94
4.8	Marginal Benefit and Consumer Surplus	G	96
4.9	Marginal Cost and Producer Surplus	G	97
4.10	Measuring the Miracle of Markets a) Maximum Total Surplus for an Efficient Market b) Inefficiency When MB Not Equal to MC	G G	98
4.11	Inefficient Outcomes a) Inefficiency of Producing Too Little b) Inefficiency of Producing Too Much	G G	100

### Chapter 5

#### Macroeconomics and Microeconomics

Figure	Title	G, I, T	Page
5.1	Circular Flow of Economic Life	I	111
5.2	Broken Connections in the Circular Flow	I	114
5.3	The Fundamental Macroeconomic Question	T	119

Key:

G - Graph(s)

For titles in blue, Narrated Dynamic Graph videos are available online on each Chapter Resources page.

I - Illustration

T - Table

### Chapter 6 GDP, Economic Growth, and Business Cycles

Figure	Title	G, I, T	Page
6.1	Nominal GDP and Real GDP, 1926 - 2013	G	134
6.2	Nominal GDP and Real GDP, 2002 - 2013	G	135
6.3	Value Added Equals Value of Final Products and Services	T	137
6.4	Simple Circular Flow without Government	I	138
6.5	Simple GDP Circular Flow of Income & Spending	I	139
6.6	Enlarged GDP Circular Flow of Income and Spending (\$)	I	140
6.7	Enlarged GDP Circular Flow of Income and Spending (\$) with Banking System	I	142
6.8	Potential GDP per Person and Real GDP per Person, 1926 - 2011	G	145
6.9	Potential GDP per Person and Real GDP per Person, 1980 - 2011	G	145
6.10	A Macro Production Possibilities Frontier and Economic Growth a) Macro Production Possibilities Frontier b) Economic Growth	G	146
6.11	Labour Force Participation Rates for Men and Women, 1951 - 2013	G	147
6.12	Annual Growth Rates of Canadian Real GDP per Person, 1926 - 2013	G	150
6.13	Growth in Real GDP per Person, Industrialized Countries 1870 - 2010	G	151
6.14	Rule of 70	T	152
6.15	Most Recent Complete Canadian Business Cycle	G	156

### Chapter 7 Unemployment and Inflation

Figure	Title	G, I, T	Page
7.1	Labour Force Categories for Working-Age Population	G	168
7.2	Unemployment Rates in Canada, 1926 - 2013	G	170
7.3	Unemployment and Underutilization of Labour, July 2014	T	171
7.4	Provincial Unemployment Rates, July 2014	T	172
7.5	Types of Unemployment	T	174
7.6	Output Gaps and Unemployment	T	176
7.7	Consumer Price Index Basket	G	178
7.8	Inflation Rates in Canada, 1960 - 2013	G	179
7.9	Inflation Rates and Core Inflation Rates in Canada, 1985 - 2013	G	180
7.10	Simple Circular Flow	I	186
7.11	Phillips Curve in Canada, 1946 - 1969	G	190
7.12	Phillips Curve in Canada, 1946 - 2013	G	192
7.13	Types of Inflation	T	193

### Chapter 8 Aggregate Supply and Aggregate Demand

Figure	Title	G, I, T	Page
8.1	Production Possibilities Frontier and Long-Run Aggregate Supply a) Macroeconomic Production Possibilities Frontier (PPF) b) Long-Run Aggregate Supply	G	202
8.2	Short-Run and Long-Run Aggregate Supply	T, G	205
8.3	Increase in Potential GDP a) Outward Shift PPF b) Rightward Shift LAS and SAS	G	206
8.4	Input Prices and Aggregate Supply	G	207
8.5	Supply Shocks and Short-Run Aggregate Supply	G	208
8.6	Law of Short-Run Aggregate Supply and Changes in Short-Run Aggregate Supply	T	209
8.7	Enlarged GDP Circular Flow of Income and Spending (\$) with Banking System	I	210
8.8	Aggregate Demand	T, G	211
8.9	Demand Shocks and Aggregate Demand	G	215
8.10	Law of Aggregate Demand and Changes in Aggregate Demand	T	218
8.11	Short-Run and Long-Run Macroeconomic Equilibrium	G	219
8.12	The Loanable Funds Market	T, G	221
8.13	Economic Growth, Rising Living Standards, and Stable Prices	G	222
8.14	Negative Demand Shock	G	224
8.15	Positive Demand Shock	G	225
8.16	Negative Supply Shock - Stagflation	G	226
8.17	Positive Supply Shock - Increase in Potential GDP	G	227
8.18	Origins of Shocks and Business Cycles	T	232

### Chapter 9 Demanders and Suppliers of Money

Figure	Title	G, I, T	Page
9.1	Demand for Money	T, G	248
9.2	An Increase in the Demand for Money	T, G	249
9.3	The Money Supply	I	252
9.4	Chartered Banks: Sources and Uses of Funds	T	256
9.5	Supply of Money	T, G	257
9.6	Demand and Supply for Money	T, G	260
9.7	Domestic Monetary Transmission Mechanism	I	263
9.8	How Much Does Money Matter for Business Cycles and How Quickly Markets Adjust?	T	268

Key:

G - Graph(s)

For titles in blue, Narrated Dynamic Graph videos are available online on each Chapter Resources page.

I - Illustration

T - Table

# MACROECONOMICS FOR LIFE

## Graphs, Tables, and Illustrations

Second Edition  
 Avi. J. Cohen  
[www.economicsforlife.ca](http://www.economicsforlife.ca)

### Chapter 10 Exchange Rates and Payments with the Rest of the World

Figure	Title	G, I, T	Page
10.1	Exchange Rate of Canadian Dollar in U.S. Dollars, 1970 - 2014	G	277
10.2	Demand for Canadian Dollars in Foreign Exchange Market	T, G	278
10.3	Price of Tim Hortons Coffee in Canada and the United States	T	279
10.4	Supply of Canadian Dollars in Foreign Exchange Market	T, G	280
10.5	Foreign Exchange Market for Canadian Dollars	T, G	281
10.6	Foreign Exchange Cross Rates	T	283
10.7	Increase in Demand and Decrease in Supply of Canadian Dollars in Foreign Exchange Market	T, G	285
10.8	Decrease in Demand and Increase in Supply of Canadian Dollars in Foreign Exchange Market	T, G	286
10.9	Forces Changing the Price of the Canadian Dollar	T	290
10.10	International Transmission Mechanism	I	291
10.11	iBig Mac Purchasing Power Parity Index	T	298
10.12	Canada's Balance of Payments Accounts 2013	T	301

### Chapter 11 Monetary Policy and the Bank of Canada

Figure	Title	G, I, T	Page
11.1	Bank of Canada Homepage	I	315
11.2	Initial Demand and Supply in the Money Market	T, G	317
11.3	Demand and Supply in the Money Market after Bank of Canada Buys Bonds	T, G	318
11.4	Demand and Supply in the Money Market after Bank of Canada Sells Bonds	T, G	319
11.5	Short-Run and Long-Run Interest Rates in Canada, 1979 - 2013	G	320
11.6	Enlarged GDP Circular Flow of Income and Spending (\$) with Banking System	I	322
11.7	Bank of Canada and Domestic Monetary Transmission Mechanism	I	323
11.8	Bank of Canada and International Transmission Mechanisms	I	325
11.9	Lowering Interest Rates Causes a Positive Demand Shock	G	326
11.10	Raising Interest Rates Causes a Negative Demand Shock	G	327
11.11	Transmission Effects of Monetary Policy	T	328
11.12	Inflation Rates and Targets in Canada, 1960 - 2013	G	337

Key:  
 G - Graph(s)  
 For titles in blue, Narrated Dynamic Graph videos are available online on each Chapter Resources page.  
 I - Illustration  
 T - Table

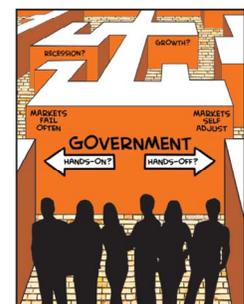
### Chapter 12 Fiscal Policy, Deficits and National Debt

Figure	Title	G, I, T	Page
12.1	Enlarged GDP Circular Flow of Income and Spending with Banking System	I	350
12.2	The Multiplier Effect	G	352
12.3	The Multiplied Effect of Government Spending on Aggregate Demand	G	354
12.4	Expansionary Fiscal Policy to Fill a Recessionary Gap	G	356
12.5	Contractionary Fiscal Policy to Fill an Inflationary Gap	G	357
12.6	Positive Supply Shock and Economic Growth	G	360
12.7	The Laffer Curve	G	363
12.8	Government Revenues for 2012 - 2013	G	365
12.9	Government Spending for 2012 - 2013	G	366
12.10	Government of Canada Budgets, Selected Years, 1992 - 2014	T	366
12.11	Canada's National Debt as a Percentage of GDP, 1926 - 2013	G	372
12.12	Self-Perpetuating Debt on a Credit Card	T	375

### Chapter 13 Globalization and Trade Policy

Figure	Title	G, I, T	Page
13.1	The Importance of International Trade: Exports and Imports as Percentage of GDP, Selected Countries, 2012	G	389
13.2	Jill's Production Possibilities	T, G	390
13.3	Marie's Production Possibilities	T, G	391
13.4	Opportunity Costs for Jill and Marie	T	393
13.5	Mutually Beneficial Gains from Trade a) Jill's Gains from Trade b) Marie's Gains from Trade	G G	393
13.6	Canadian Tariffs, 1867- 2014	G	398
13.7	Government and Global Markets: Hands-Off or Hands-On?	T	410

MACROECONOMICS  
 FOR LIFE  
 SECOND EDITION  
 AVI J. COHEN



SMART CHOICES FOR ALL?

[www.economicsforlife.ca](http://www.economicsforlife.ca)