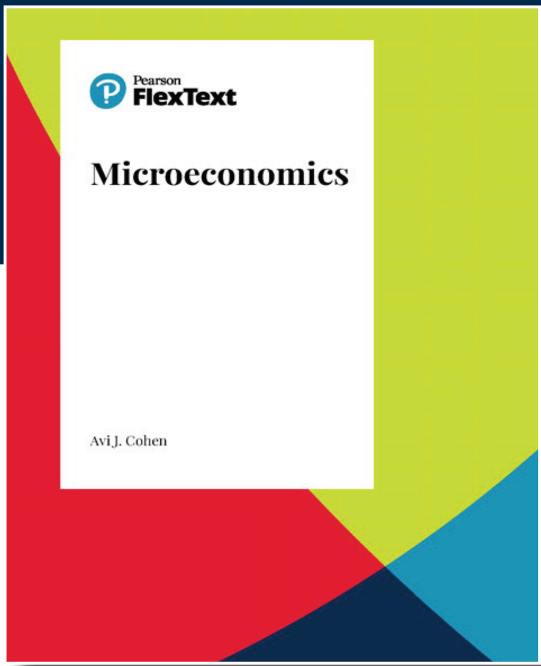

Microeconomics, 1st Edition

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Pearson FlexText...setting you up for success in school and at work.

The study of economics requires a different style of thinking from what you may encounter in other courses. Economists make extensive use of assumptions to break down complex problems into simple, analytically manageable parts. This analytical style, while not ultimately more demanding than the styles of thinking in other disciplines, feels unfamiliar to most students and requires practice.

Our experience has taught us that what first-year economics students want most from a FlexText is help in mastering course material to do well on examinations. We have developed this FlexText to respond specifically to that demand.

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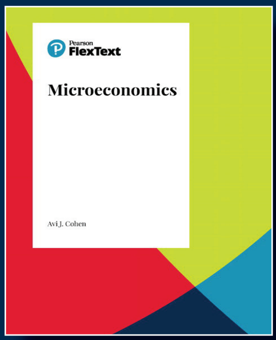


Microeconomics FlexText Learning Objectives

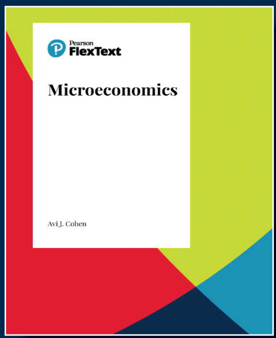
Chapter 1 Scarcity, Opportunity Cost, Trade, and Models
1. Explain scarcity and describe why you must make smart choices among your wants.
2. Define and describe opportunity cost, the most important concept in economics.
3. Describe how comparative advantage, specialization, and trade make us all better off.
4. Explain how models like the circular flow model make smart choices easier.
5. Differentiate microeconomic and macroeconomic choices, and explain the Three Keys model for smart choices.

Chapter 2 Demanders and Suppliers
1. Explain why smart choices depend on marginal benefits, not total benefits, and on marginal costs, not total costs.
2. Explain the law of demand, and describe the roles of substitutes and of willingness and ability to pay.
3. Explain the difference between a change in quantity demanded and a change in demand, and list five factors that change demand.
4. Explain the law of supply and describe the roles of higher profits and higher marginal opportunity costs of production.
5. Explain the difference between a change in quantity supplied and a change in supply, and list six factors that can change supply.

Chapter 3 The Demand and Supply Model
1. Describe what markets do and explain how shortages and surpluses affect market prices.
2. Summarize how equilibrium prices match quantity demanded and quantity supplied and illustrate Adam Smith's concept of the invisible hand.
3. Use the demand and supply model to predict how a change in demand or a change in supply affects equilibrium prices and quantities.
4. Predict how combined changes in demand and supply affect equilibrium prices and quantities, and describe the modelling technique of comparative statics.
5. Demonstrate the efficiency of markets using the concepts of consumer surplus and producer surplus.

Chapter 4 Elasticity
1. Define and calculate elasticity of demand, and explain three factors that determine it.
2. Explain how the relationship between elasticity of demand and total revenue determines business pricing strategies.
3. Explain elasticity of supply and how it helps businesses avoid disappointed customers.
4. Define cross elasticity and income elasticity of demand, and explain how they measure substitutes and complements, normal and inferior goods, and necessities and luxuries.
5. Use elasticity to explain who pays sales taxes and government tax choices.

Chapter 5 Government Policy Choices: Efficiency and Equity
1. Explain how government-fixed prices cause quantities to adjust and market coordination to fail.
2. Describe price ceilings and explain the unintended consequences of government rent-control policies.
3. Describe price floors and explain the unintended consequences of government minimum wage laws.
4. Explain government policy trade-offs between efficient and equitable outcomes, and two different concepts of equity.



Chapter 6 Consumer Model Basics: Utility behind Demand

1. Explain the connection between total utility and marginal utility, and show how diminishing marginal utility explains the law of demand and the downward-sloping demand curve.
2. Explain how consumers maximize total utility by equalizing the marginal utility per dollar spent on all products and services.
3. Use the distinction between total utility and marginal utility to explain the diamond-water paradox and the measurement of consumer surplus.

Chapter 7 Producer Model Basics: Profits and Costs behind Supply

1. Distinguish explicit costs from implicit costs, and describe how accounting profits miss implicit costs.
2. Define normal profits and economic profits, and explain how they differ.
3. Explain how economic profits signal smart business decisions to exit or enter an industry, while coordinating consumer and business choices.
4. Distinguish short-run from long-run business decisions, and describe how short-run diminishing marginal productivity increases marginal costs and shapes the average total cost curve.
5. Derive a business's long-run average cost curve from different short-run average total cost curves, and explain the differences among economies of scale, constant returns to scale, and diseconomies of scale.

Chapter 8 Market Structure and Pricing Power

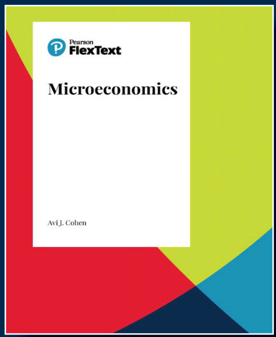
1. Use the distinction between price makers and price takers to describe differences between the market structures of monopoly, perfect competition, oligopoly, and monopolistic competition.
2. Identify three main characteristics of market structure and explain their influence, with elasticity of demand, on a business's pricing power.
3. Explain how businesses compete, and why the process of creative destruction improves productivity and living standards.
4. Explain the roles of marginal revenue and marginal cost for smart business decisions about price and quantity, and state the rule that all price-taking and price-making businesses use to earn maximum profits in all market structures.

Chapter 9 Perfect Competition

1. Explain why marginal revenue equals price for price-taking businesses in perfect competition.
2. Demonstrate how the marginal cost curve determines the supply curve for businesses in perfect competition.
3. Explain the three possible short-run economic profit scenarios in perfect competition.
4. Explain economic losses and profits as signals for businesses to exit or enter perfectly competitive industries, which changes supply and achieves economic efficiency.

Chapter 10 Pricing for Profits in Imperfect Competition

1. Explain why marginal revenue is less than price for a price-making business following the one-price rule.
2. Use the rule for maximum profits to explain the quantity and price decisions of a business with pricing power, and show the importance of marginal revenue and marginal cost.
3. Define price discrimination and explain how it leads to higher profits by taking advantage of differences in elasticity of demand.
4. Explain why maximum profits bring efficiency for perfect competition and inefficiency for market structures with price-making power. Compare the benefits and costs of market structures.



Chapter 11 Market Failure and Competition Policy

1. Define market failure and explain the challenge for policymakers of a natural monopoly.
2. Explain how strategic interaction between competitors complicates business decisions, creating two smart choices.
3. Explain how governments use laws and regulations to promote competition, discourage cartels, and protect the public from dangerous business practices.
4. Differentiate between the public-interest view and the capture view of government regulation.

Chapter 12 Externalities

1. Describe how externalities cause market failure, so smart private choices differ from smart social choices.
2. Explain the rule for coordinating private choices with smart social choices when there are negative externalities.
3. Identify how government policies for polluters can internalize externalities to create smart social choices.
4. Explain how positive externalities create the free-rider problem of public goods and cause markets to fail.
5. Identify how government subsidies can internalize positive externalities to create smart social choices.

Chapter 13 Inputs, Income, and Inequality

1. Describe four types of income and how they are determined in input markets.
2. Explain the importance of marginal revenue product for labour income and for smart business hiring decisions.
3. Explain how to calculate present value and how it informs smart capital investment choices.
4. Describe economic rent, and explain its importance for determining land and superstar income.
5. Explain the sources of poverty and describe trade-offs in policies to help the poor.