

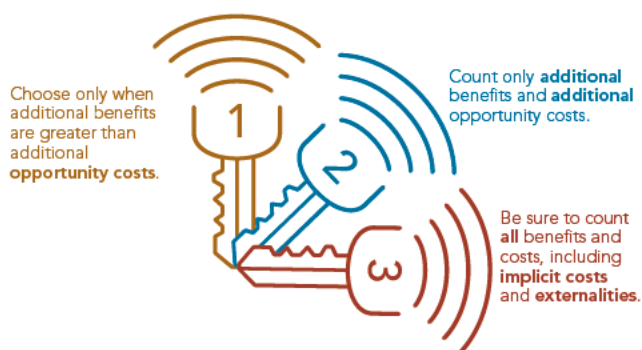
# Preface

## About *Economics for Life: Making Smart Choices*, Third Edition

### Our Approach

**PREFACE TO STUDENTS** We wrote *Economics for Life* to show you how to use economic ideas to make smart choices in life. We focus on core concepts that you can use regularly to make smart choices in your life as a consumer, as a businessperson, and as an informed citizen.

**THREE KEYS TO SMART CHOICES** You, like most people, are probably not interested in economic concepts for their own sake. This book is not designed to train you as an economist. Instead, our goal is to present important ideas, concepts, and decision-making strategies — based on an economic way of thinking — that will help you be more successful throughout life. The stories in the book reflect real-life situations. You will, we hope, quickly see how you can make yourself better off by learning the economic lessons they contain.



The Three Keys shown are at the heart of making smart choices and are at the heart of this book. You can always spot them by the key icon in the margin.



You will first learn about the Three Keys to Smart Choices in Chapter 1, and they will reappear many times.

The Three Keys are like a map, helping you choose a direction to take at decision points — forks in the road. When you face a decision, they focus your attention on the information that is most useful to making your smart choice.

If you learn to use the three keys well and start making smarter choices in life, then we will have done our job well and you will have gained strong tools in your quest for success. If you do not enjoy reading this book or do not learn to make smarter choices in life, then we will have failed.

The only way for us to know how close we've come to achieving the goal of helping you make smart choices is to hear from you. Let us know what works for you in this book — and, more importantly, what doesn't. You can write to both of us care of [avi.cohen@utoronto.ca](mailto:avi.cohen@utoronto.ca). In future editions we will acknowledge by name all students who help improve *Economics for Life*.

Now start learning how economics will help you make smarter choices in life!

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**PREFACE TO INSTRUCTORS** Most of our, and we suspect your, “academic footprint” on this earth will be through our students. Over a career, we teach tens of thousands of students. As economists and teachers, what do we want our lasting “economic footprint” to be? There is a wonderful old *Saturday Night Live* skit by Father Guido Sarducci called “The Five Minute University” (<http://www.youtube.com/watch?v=kO8x8eoU3L4>). Watch it. His premise is to teach in five minutes what an average college or university graduate remembers five years after graduating. For economics, he states it's the two words “supply and demand.” That's it.

The serious question behind the skit, the one that motivates these books, is “What do we really want our students to remember of what we teach them in an introductory economics class?”

Over 80 percent of North American students in introductory economics never take another economics course. *Economics for Life* is designed to help those students learn what they need to know to be economically

literate citizens. If we can teach students the fundamentals of thinking like an economist, they will be equipped to make smarter choices in their lives as consumers, as businesspeople, and as citizens evaluating policies proposed by politicians. We take what is called a literacy-targeted (LT) approach, which argues that it is far more valuable for students to understand and apply core economic concepts well than to be exposed to a wide range of concepts they will soon forget.

For microeconomics, the essentials are grounded in the Three Keys to Smart Choices, which form the core of *Microeconomics for Life: Smart Choices for You*.

**Key 1:** Choose only when additional benefits are greater than additional *opportunity costs*.



**Key 2:** Count only *additional benefits* and *additional opportunity costs*.



**Key 3:** Be sure to count *all* additional benefits and costs, including *implicit costs* and *externalities*.



The intuition behind all topics in microeconomics can be taught with these 3 Keys, which reappear as icons

as new topics are explored. This core model is even simpler than it looks, as it reduces to Key 1, with Keys 2 and 3 as clarifications.

Many textbooks begin with core concepts for understanding the *discipline of economics*. Our distinctive focus provides a decision-making guide that directly improves students' employability and life choices in general. Rather than reducing economics to between three and ten core concepts, the 3 Keys Model provides students with active guidance in plain language for sound economic decision making.

Our approach is also designed to get students **interested** in economics as a way of thinking that will help them make smarter choices in their lives. Concepts are not presented as theoretical ideas that must be learned in isolation, or as formulas for a set of problems. Instead, each chapter begins with a scenario, and the concepts emerge logically as the narrative unfolds.

For macroeconomics, it's no secret that economists disagree far more about macro than microeconomics. Principles students, who struggle to master basic concepts like GDP, growth, unemployment, inflation, and exchange rates, cannot absorb the disagreements among the differing models of modern macroeconomists. But it is important for students, as citizens, to understand policy differences that they will hear from economists and politicians for the rest of their lives. *Economics for Life* simplifies and consolidates those modelling disagreements, providing a framework for understanding macroeconomics and thinking about the appropriate role for government policy. The disagreements are incorporated into what we call *the fundamental macroeconomic question*:

**If left alone by government, how quickly do the price mechanisms of market economies adjust to maintain steady growth in living standards, full employment, and stable prices?**

The two main answers are:

Markets Quickly Self-Adjust, so Government *Hands-Off*  
 Markets Fail Often, so Government *Hands-On*

When microeconomic smart choices of individual households and businesses are aggregated, does Adam Smith's invisible hand continue to produce optimal macroeconomics outcomes — steady growth in living standards, full employment and stable prices? Or, with the incorporation of money, banks, expectations, and exchange rates, do markets fail and produce undesirable outcomes that Keynes highlighted — unemployment, financial bubbles, bankruptcies, and inflation?

*Economics for Life* covers the traditional, agreed-upon macroeconomic concepts and core theory, using the expanded circular flow ( $Y = C + I + G + X - IM$ ) and *AS/AD* models.

Topic by topic, we then present sympathetically the best arguments behind economists' *Hands-Off* and *Hands-On* positions. These icons reappear as we explore different topics.



We encourage students to think about the differing positions not as right or wrong, but as exposing two contrasting ways of looking at the macro economy. Informed and engaged citizens must be able to think critically about these policy differences. Students will hear these policy arguments from politicians for the rest of their lives, and as citizens, must make up their own minds about which position (or combinations of positions) they support.

Beyond helping students master basic concepts and core theory, *Economics for Life* engages students by giving them agency in thinking about the fundamental macroeconomic question, the answers to which will affect their job prospects, standard of living, investment decisions, mortgage choices ... In short, the macroeconomics that will affect their lives.

This brings us back to the question of your “economic footprint.” You may cover fewer topics using *Economics for Life*, but your students will retain more. If we do our jobs well, after five years, your students will actually be *ahead* of students who were exposed to the full range of topics. Your economic footprint will be larger. You will have produced more students who have better learned the fundamentals of thinking like an economist, and who are making smarter choices in their lives as consumers, as businesspeople, and as citizens evaluating policies proposed by politicians.

You will have succeeded in helping your students learn how to use economics in life.

Avi J. Cohen  
Scott Wolla

## Choosing Chapters

We have included 18 chapters to give instructors choices in selecting a manageable set of chapters to fit their specific course. Our experience is that 12 chapters is probably a reasonable number to cover in one term, depending on the number of weeks you have. Here are our suggestions for choosing 12 chapters.

<b>Balanced Micro and Macro</b> (6 micro, 6 macro)	For micro, Chapters 1–6, and for macro, Chapters 13–18
<b>More Micro Focus</b> (8 micro, 4 macro)	For micro, Chapters 1–7, 9, and for macro, Chapters 12–15

**More Macro Focus**  
(5 micro, 7 macro)

For micro, Chapters 1–5,  
and for macro,  
Chapters 12–18

Given time constraints, our suggestions omit Chapter 8 on perfect competition. Chapter 7, on market structure and pricing, includes the basic assumptions and results of the perfect competition model. Chapter 9 covers the profit-maximizing rule of setting  $MR = MC$ , which applies to all market structures, including perfect competition.

Chapter 8 is a traditional perfect competition chapter, with the development of cost curves, and discusses short-run and long-run equilibrium. We find that takes too much time out of a one-term course, because cost curves are the most challenging concepts for students even in a full-term micro course. We believe that the opportunity cost of covering Chapter 8 is too high! But if it is important for you, it is there.

These are only suggestions. We are interested in hearing from you about which chapters you choose to cover, and whether our chapter organization meets your needs.

## Content Features

**CHAPTER OPENER** Every chapter begins with an overview that introduces students to the main ideas and themes in the chapter. This introduction connects the economic principles discussed in the chapter to the choices and decisions students make in everyday life.

**ECONOMICS OUT THERE** These feature boxes provide real-world examples of the economic concepts being discussed. The stories told in *Economics Out There* help students make connections between the concepts in the chapter and everyday life. These boxes will be updated annually by our author team, when appropriate, to ensure the examples/topics remain current and relevant to students.

**REFRESH QUESTIONS AND THINK ABOUT IT QUESTIONS** At the end of each section of each chapter, there are three multiple-choice **Refresh Questions**. These formative assessments allow students to assess their understanding of the concepts in the section. In the eTextbook these questions provide immediate, targeted feedback both for correct and incorrect answers.

In addition to the **Refresh Questions**, formative **Think About It** assessments are sprinkled throughout the sections of each chapter, posing open-ended questions that push the student to stop and think about what they have just read, in the form of an application or extension.

Today's students live in a content-rich environment where skimming is the norm. Skimming works for browsing social media, but not for reading critically or



learning economics. These features act as “speed bumps,” encouraging students to slow down, recall, and reflect on the content. Retrieval not only provides students with information about their own learning (metacognition), it strengthens neural pathways, reinforces learning, and makes it more durable. As students progress through the learning experience, completing **Think About It** and **Refresh Questions** along the way solidifies and builds upon what they learn. Over time, these activities enable students to construct a longer-lasting mental framework for economic analysis.

**END-OF-CHAPTER MATERIAL** At the end of each chapter, you will find:

- **Chapter Summary** — New to this edition is a short narrative summary of the entire chapter. That is followed by a section-by-section summary that recaps in point form the main ideas. The first item (in red) under each section head is the single most important point in that section. All key terms are in bold.
- **15 Multiple Choice Questions** — These questions now have five choices instead of four and can be assigned as homework since answers are not available to students in this edition. Questions are organized by learning objective. The heading next to each learning objective number gives you the topic of the questions that follow.
- **15 True/False Questions** — There are 15 true/false questions, organized by learning objective. The heading next to each learning objective number gives you the topic of the questions that follow.

**POWERPOINT SLIDES** The PowerPoint® slides are a set of lectures based on the textbook content, paralleling the section-by-section summary found in the end-of-chapter material. We developed the content in the slides to enable you to prepare and present a focused, manageable lecture without having to wade through an excessive number of slides. Each analytical graph has animations that allow you to visually tell stories of curves shifting and new equilibrium outcomes.

The parallels between the slides and the end-of-chapter summary make it easier for students to connect the textbook material, your classroom presentation, and the end-of-chapter exercises. The design of the slides matches the textbook design so students connect more easily the material they have read and the content of your classroom presentation. The font sizes of the slides have been tested for readability from the back of a 500-seat lecture hall as well as on mobile devices.

**ANIMATED FIGURES (VIDEOS)** The PowerPoint graphs, built from the textbook graphic files, are the basis of the Animated Figures. For key analytical graphs in the

textbook, a short MP4 video plays when students click on the graph. In a voice-over, we talk the student through the meaning of the figure, and trace shifts of curves and changes in outcomes. A moving cursor directs students’ attention to the portion of the figure being discussed in the narration.

**A note on figure numbering:** The figure numbers shown in the videos may not correspond to those in this version of the textbook. This is because the videos are based on the figures as they originally appeared in *Microeconomics for Life: Smart Choices for You* and *Macroeconomics for Life: Smart Choices for All?* We have included notes below each figure to avoid any potential confusion that this discrepancy may cause.

## Digital Content Delivery

As the world shifts to a greater reliance on digital media, it is appropriate that this resource evolves as well. This third edition is the first fully digital version of *Economics for Life*. Instructors and students will find that, although the medium has changed, the content is fully consistent with prior editions.

## Digital Learning

### MyLab with Pearson eTextbook

The third edition of *Economics for Life* is delivered through Pearson’s MyLab with Pearson eTextbook platform.

### Pearson eTextbook

Affordable and easy to use, Pearson eTextbook helps students keep on learning no matter where their day takes them. The mobile app lets students read and study, even when they are offline. They can also add highlights, bookmarks, and notes in their Pearson eTextbook to study how they like.

### MyLab

MyLab is the teaching and learning platform that empowers you to reach every student. By combining trusted author content with digital tools and a flexible platform, MyLab personalizes the learning experience and improves results for each student. Learn more about MyLab Economics: <https://mlm.pearson.com/northamerica/myeconlab/>

### Important Digital Assets

*Economics Out There* boxes bring currency into your classroom with author-written content that connects key concepts with real-life current events. Annually our

author(s) add new or revised content or data to figures to ensure that your students have current and relevant examples to help them engage with the course material.

**Dynamic Study Modules:** Canadian study modules allow students to work through groups of questions and check their understanding of foundational economics topics. As students work through questions, the Dynamic Study Modules assess their knowledge and show only questions that still require practice. Dynamic Study Modules can be completed online using your computer, tablet, or mobile device.

**Freehand Grader:** Freehand Grader (beta) is the grading technology in MyLab<sup>®</sup> and Mastering<sup>®</sup> that creates an authentic assessment experience for both instructors and students. Freehand Grader, available as a new assignment type, allows you to quickly grade any kind of handwritten assignment. As you grade, you indicate the grading criteria and build the rubric question by question. This grade-as-you-go approach lets you add

notes to provide students with individual feedback. Students upload their handwritten solutions, including all the steps that go into their responses. Their work provides insight into their thought processes, showing what they know, not just a final answer.

## Supplements

Instructor supplements available include:

- Instructor's Manual
- PowerPoint Presentations
- Animated Figures
- Pearson TestGen

Supplements are available for download from the MyLab Instructor Resources page. Contact your Pearson rep for access information and instructions if you don't have a MyLab account.