

TABLE OF CONTENTS

Unit 1 **Basic Economic Concepts**

- Key Ideas 3
- Activity 1-1.1 Do You Think Like an Economist? 4
- Activity 1-2.1 Scarcity, and Opportunity Costs 5
- Activity 1-3.1 Production Possibilities Curves 6
- Activity 1-4.1 Resource Allocation and Economic Systems 12
- Activity 1-5.1 Determining Comparative Advantage 14
- Activity 1-6.1 Anything Worth Doing Is Not Necessarily Worth Doing Well 21
- Activity 1-7.1 Marginal Analysis and Consumer Choice 23

Unit 2 **Supply and Demand**

- Key Ideas 29
- Activity 2-1.1 Demand Curves, Movements along Demand Curves, and Shifts in Demand Curves 31
- Activity 2-1.2 Reasons for Changes in Demand 37
- Activity 2-2.1 Supply Curves, Movements along Supply Curves, and Shifts in Supply Curves 39
- Activity 2-2.2 Reasons for Changes in Supply 45
- Activity 2-3.1 Equilibrium Price and Equilibrium Quantity 47
- Activity 2-3.2 Shifts in Supply and Demand 51
- Activity 2-4.1 The Determinants of Price Elasticity of Demand 54
- Activity 2-4.2 Elasticity of Demand 56
- Activity 2-4.3 Elasticity and Total Revenue 60
- Activity 2-5.1 Price Elasticity of Supply 61
- Activity 2-6.1 Income Elasticity of Demand 63
- Activity 2-6.2 Cross-Price Elasticity of Demand 64
- Activity 2-7.1 Maximum and Minimum Price Controls 65
- Activity 2-8.1 Excise Taxes and Supply 67
- Activity 2-8.2 Relatively Elastic and Relatively Inelastic Demand 68
- Activity 2-8.3 Subsidies and Examples 72
- Activity 2-8.4 Deadweight Loss of a Price Ceiling 73
- Activity 2-9.1 Tariffs and Quotas 74
- Activity 2-SA.1 Graphing Supply and Demand 75

Unit 3 **Production, Cost, and Profit**

- Key Ideas 81
- Activity 3-1.1 The Production Function 83
- Activity 3-2.1 Cost and Productivity Measures 89
- Activity 3-2.2 Mirror Images: Marginal Product and Marginal Cost 90
- Activity 3-2.3 Understanding the Different Cost Measures of a Firm 91
- Activity 3-2.4 Skills Practice 96
- Activity 3-3.1 A Firm's Long-Run Average Total Cost Curve 100
- Activity 3-4.1 Revenue and Types of Profit 104
- Activity 3-4.2 Accounting vs. Economic: Different Meanings of the Word "Profit" 107
- Activity 3-5.1 Profit Maximization Rules 109
- Activity 3-5.2 Did You Get It? 111
- Activity 3-6.1 Firms' Short-Run and Long-Run Decisions 112

TABLE OF CONTENTS

Unit 4 **Market Structures**

Key Ideas 119

Activity 4-1.1 Different Types of Market Structures 121

Activity 4-2.1 Profit Maximization by a Perfectly Competitive Firm 122

Activity 4-2.2 Short-Run Equilibrium and Short-Run Supply in Perfect Competition 132

Activity 4-2.3 Long-Run Equilibrium and Long-Run Supply in Perfect Competition 139

Activity 4-2.4 Graphing Perfect Competition 146

Activity 4-3.1 The Revenue Functions of a Monopoly 150

Activity 4-3.2 Profit Maximization by a Monopoly 155

Activity 4-3.3 Equilibrium in a Monopolistic Market 158

Activity 4-3.4 Regulating a Monopoly 161

Activity 4-3.5 Comparing Perfect Competition and Monopoly 163

Activity 4-4.1 Price Discrimination 166

Activity 4-5.1 Monopolistic Competition 171

Activity 4-6.1 Oligopolies 176

Activity 4-7.1 Game Theory 177

Unit 5 **Factor Markets**

Key Ideas 185

Activity 5-1.1 How Many Workers Should a Firm Hire? 186

Activity 5-1.2 The Only Game in Town 193

Activity 5-2.1 The Optimal Combination of Resources 196

Activity 5-3.1 How Wages Are Determined in Labor Markets 199

Activity 5-3.2 Labor Demand for the Perfectly Competitive Firm 200

Activity 5-4.1 A Monopsonistic Labor Market 207

Activity 5-5.1 Wages and Employment in Labor Markets 210

Activity 5-5.2 Problems Dealing with Factor Markets 215

Unit 6 **Market Failure and The Role of Government**

Key Ideas 221

Activity 6-1.1 Property Rights, Market Failure, and Deadweight Loss 222

Activity 6-2.1 Externalities 227

Activity 6-3.1 Public Goods vs. Private Goods 231

Activity 6-4.1 Government Policies in Perfectly Competitive and Imperfectly Competitive Markets 233

Activity 6-5.1 Measuring Inequality 238

Activity 6-5.2 Types of Tax Structures 242