Brief Table of Contents

Prejace	XIII	PART FUUK Macroeconomics	
Guided tour	xvi	10 Introduction to macrosconomics	377
Technology to enhance learning and teaching	xviii	19 Introduction to macroeconomics	
Acknowledgements for the ninth edition	xxi	20 Output and aggregate demand	397
About the lead author	xxii	21 Fiscal policy and foreign trade	412
		22 Money and banking	432
PART ONE Introduction		23 Interest rates and monetary transmission24 Monetary and fiscal policy	450
1 Economics and the economy	3	25 Aggregate supply, prices and adjustment	100
2 Tools of economic analysis	18	to shocks	481
3 Demand, supply and the market	37	26 Inflation, expectations and credibility	500
		27 Unemployment	524
DADT TWO Desitive referencements		28 Exchange rates and the balance of	
PART TWO Positive microeconomics		payments	541
4 Elasticities of demand and supply	55	29 Open economy macroeconomics	560
5 Consumer choice and demand		30 Economic growth	578
decisions	75	31 Business cycles	598
6 Introducing supply decisions	98	32 Macroeconomics: taking stock	613
7 Costs and supply	118		
8 Perfect competition and pure monopoly	140	PART FIVE The world economy	
9 Market structure and imperfect			
competition	164	33 International trade	631
10 The labour market	188	34 Exchange rate regimes	655
11 Different types of labour	214	35 European integration	672
12 Factor markets and income distribution	233	36 Poverty, development and globalization	691
13 Risk and information	255	Appendix: Answers to review questions and	
14 The information economy	276	Activity boxes	712
		Glossary	739
PART THREE Welfare economics		Index	751
15 Welfare economics	295		
16 Government spending and revenue	318		
17 Industrial policy and competition policy	338		
18 Natural monopoly: public or private?	357		

Detailed Table of Contents

Pre	face		xiii		3.8	Free markets and price controls	45
Gu	ided to	our	xvi		3.9	What, how and for whom	48
Tec	hnolog	ry to enhance learning and teaching	xviii			Summary	50
	_	dgements for the ninth edition	xxi			Review questions	51
		e lead author	xxii				
110			2001	PA	RT TW	O Positive microeconomics	
PA	RT ON	E Introduction		4	Elasti 4.1	icities of demand and supply The price responsiveness of	55
1	Econ	omics and the economy	. 3		7.1	demand	55
	1.1	Econonomic issues	4		4.2	Price, quantity demanded and	
	1.2	Scarcity and the competing use				total expenditure	60
		of resources	8		4.3	Further applications of the price	
	1.3	The role of the market	9			elasticity of demand	62
	1.4	Positive and normative	12		4.4	Short run and long run	64
	1.5	Micro and macro	14		4.5	The cross-price elasticity of	
		Summary	16			demand	64
		Review questions	16		4.6	The effect of income on demand	65
•	m 1		10			Inflation and demand	68
2		s of economic analysis	18		4.8	Elasticity of supply	68
	2.1	Economic data	19		4.9	Who really pays the tax?	70
	2.2	Index numbers	20			Summary	72
	2.3	Nominal and real variables	22			Review questions	73
	2.4	Measuring changes in economic variables	24	_	0		
	2.5	Economic models	24 24	5		umer choice and demand	
	2.6	Models and data	25		decis		75
	2.7	Diagrams, lines and equations	26		5.1 5.2	Demand by a single consumer	75 83
	2.8	Another look at 'other things	20		5.3	Adjustment to income changes Adjustment to price changes	84
	2.0	equal'	30		5.4	The market demand curve	90
	2.9	Theories and evidence	30		5.5	Complements and substitutes	91
		Some popular criticisms of	50		5.6	Transfers in kind	91
	2.10	economics and economists	31		5.0	Summary	93
		Summary	34			Review questions	94
		Review questions	35			Appendix: Consumer choice	
		1				with measurable utility	95
3	Dem	and, supply and the market	37			, , , , , , , , , , , , , , , , , , , ,	
	3.1	The market	37	6	Intro	ducing supply decisions	98
	3.2	Demand, supply and equilibrium	38		6.1	Business organization	98
	3.3	Demand and supply curves	39		6.2	A firm's accounts	99
	3.4	Behind the demand curve	40		6.3	Firms and profit maximization	103
	3.5	Shifts in the demand curve	42		6.4	Corporate finance and corporate	
	3.6	Behind the supply curve	43			control	104
	3.7	Shifts in the supply curve	45		6.5	The firm's supply decision	105

	6.6	Marginal cost and marginal		9	Mark	et structure and imperfect	
		revenue	108		comp	etition	164
	6.7	Marginal cost and marginal			9.1	Why market structures differ	165
		revenue curves	112		9.2	Monopolistic competition	169
		Summary	116		9.3	Oligopoly and interdependence	170
		Review questions	116		9.4	Game theory and interdependent	
						decisions	173
7	Costs	and supply	118		9.5	Reaction functions	176
	7.1	Input and output	118		9.6	Entry and potential competition	180
		Costs and the choice of technique	120		9.7	Strategic entry deterrence	181
		Long-run total, marginal and			9.8	Summing up	184
		average costs	121			Summary	185
	7.4	Returns to scale	122			Review questions	186
	7.5	Average cost and marginal cost	127	10	771 1	L m I.e.t	188
	7.6	The firm's long-run output		10		abour market The firm's demand for factors in	100
		decision	128		10.1		189
	7.7	Short-run costs and diminishing			100	the long run The firm's demand for labour in	109
		marginal returns	128		10.2	the short run	191
	7.8	A firm's output decision in the			10 2	The industry demand curve for	191
	7.0	short run	134		10.5	labour	195
	7.9	Short-run and long-run costs	136		10 4	The supply of labour	196
	, . ,	Summary	137			Industry labour market	170
		Review questions	138		10.5	equilibrium	201
		Teview questions	100		10.6	Transfer earnings and economic	201
8	Perfe	ct competition and pure			10.0	rents	202
	mono		140		10.7	Do labour markets clear?	204
	8.1	Perfect competition	141			UK wages and employment	207
	8.2	A perfectly competitive firm's			10.0	Summary	208
	0.2	supply decision	142			Review questions	209
	8.3	Industry supply curves	145			Appendix: Isoquants and the	20)
	8.4	Comparative statics for a	1 13			choice of production technique	211
	0.4	competitive industry	148			enoise of production teeminque	
	8.5	Global competition	150	11		rent types of labour	214
	8.6	Pure monopoly: the opposite	130		11.1	Productivity differences	216
	0.0	limiting case	152		11.2	Discrimination	222
	8.7	Profit-maximizing output for a	132		11.3	Trade unions	225
	0.7		153			Summary	231
	0 0	monopolist Output and price under monopoly				Review questions	232
	8.8	and competition		10	Г (and the said to said	
	0.0	1	155 157	12		or markets and income	222
	8.9	A monopoly has no supply curve	160			ibution Dhysical capital	233
	0.10	Monopoly and technical change				Physical capital Rentals, interest rates and asset	234
		Summary	162		12.2		225
		Review questions	163			prices	235

	12.3	Saving, investment and the real				Environmental issues	307
		interest rate	241		15.7	Other missing markets: time and	
	12.4	The demand for capital services	242			risk	309
		The supply of capital services	243		15.8	Quality, health and safety	310
	12.6	Equilibrium and adjustment				Summary	312
		in the market for capital				Review questions	313
		services	245			Postscript: Economics in action:	
	12.7	The price of capital assets	246			climate change	315
		Land and rents	247				
	12.9	Income distribution in the UK	248	16	Gov	ernment spending and revenue	318
		Summary	251			Taxation and government	
		Review questions	252			spending	321
		Appendix: The simple algebra of			16.2	The government in the market	
		present values and discounting	254			economy	322
					16.3	The principles of taxation	325
13	Risk a	and information	255			Taxation and supply-side	
	13.1	Individual attitudes to risk	255			economics	329
	13.2	Insurance and risk	258		16.5	Local government	330
	13.3	Uncertainty and asset returns	260			Economic sovereignty	331
	13.4	Portfolio selection	262			Political economy: how	
	13.5	Efficient asset markets	267			governments decide	332
	13.6	More on risk	271			Summary	336
		Summary	274			Review questions	337
		Review questions	275			1	00,
				17	Indu	strial policy and competition	
14		nformation economy	276		polic		338
	14.1	E-products	276			Industrial policy	339
		Consuming information	278			Economic geography	342
		Distributors of information	282			The social cost of monopoly	
		Setting standards	286			power	344
		Recap	287		17.4	Competition policy	349
		Boom and bust of the dotcom				Mergers	352
		companies	287			Summary	355
		Summary	291			Review questions	356
		Review questions	292			1	
DAG	т тиг	DEE Walfara acanomics		18	Natu	ral monopoly: public or private?	357
FAI	(1 IIII	REE Welfare economics			18.1	Natural monopoly	358
15	Welfa	re economics	295		18.2	Nationalized industries	359
		Equity and efficiency	296		18.3	Public versus private	364
		Perfect competition and Pareto				Privatization in practice	366
		efficiency	297			Regulating private monopolies	367
	15.3	Distortions and the second best	300			The Private Finance Initiative	369
		Market failure	302			Summary	372
		Externalities	303			Review questions	373
						The state of the s	

PAF	RT FOI	UR Macroeconomics			22.4	The monetary base and the money	
						multiplier	439
19		duction to macroeconomics	377		22.5	Measures of money	441
		The big issues	378		22.6	Competition between banks	442
		The facts	378		22.7	The demand for money	443
		An overview	379			Summary	448
		National income accounting	381			Review questions	449
	19.5	What GNP measures	389				
		Summary	394	23	Inter	est rates and monetary	
		Review questions	395			mission	450
	-				23.1	The Bank of England	450
20	the same of the sa	ut and aggregate demand	397			The Bank and the money supply	451
	20.1	Components of aggregate			23.3	Lender of last resort	453
		demand	399		23.4	Equilibrium in financial	
		Aggregate demand	402			markets	454
		Equilibrium output	402		23.5	Monetary control	457
	20.4	Another approach: planned	No. 2007 CO.		23.6	Targets and instruments of	
		saving equals planned investment	404			monetary policy	458
		A fall in aggregate demand	405		23.7	The transmission mechanism	459
		The multiplier	407			Summary	466
	20.7	The paradox of thrift	408			Review questions	467
		Summary	410				
		Review questions	411	24		etary and fiscal policy	468
						Monetary policy rules	468
21		l policy and foreign trade	412			The <i>IS-LM</i> model	470
	21.1	Government and the circular				The <i>IS-LM</i> model in action	472
		flow	413		24.4	Shocks to money demand	474
	21.2	The government and aggregate				The policy mix	474
		demand	414			The effect of future taxes	475
		The government budget	418		24.7	Demand management revisited	478
		Deficits and the fiscal stance	420			Summary	479
	21.5	Automatic stabilizers and				Review questions	480
		discretionary fiscal policy	421				
	21.6	The national debt and the		25		egate supply, prices and	
		deficit	422			tment to shocks	481
	21.7	Foreign trade and income				Inflation and aggregate demand	482
		determination	425			Aggregate supply	484
		Summary	429			Equilibrium inflation	485
		Review questions	430		25.4	The labour market and wage	
						behaviour	489
22	Mone	ey and banking	432			Short-run aggregate supply	490
		Money and its functions	432			The adjustment process	491
		Modern banking	434			Sluggish adjustment to shocks	494
	22.3	How banks create money	437		25.8	Trade-offs in monetary objectives	496

	Summary	498		29.3	Devaluation	565
	Review questions	499		29.4	Floating exchange rates	567
	*					
Inflat	tion, expectations and credibility	500				571
26.1	Money and inflation	501		29.6		573
26.2	Inflation and interest rates	503				575
26.3	Inflation, money and deficits	505				576
26.4	Inflation, unemployment and					
	output	507	30	Econ	omic growth	578
26.5	The costs of inflation	512				579
		515				580
26.7	The Monetary Policy Committee	518		30.3	Technical knowledge	582
	Summary	521		30.4	Growth and accumulation	584
	Review questions	522		30.5	Growth through technical progress	587
**				30.6	Growth in the OECD	587
				30.7	Endogenous growth	593
				30.8	The costs of growth	594
		527			Summary	596
27.3		5 20			Review questions	597
07.4		530				
27.4			31	Busir	ness cycles	598
27.5				31.1	Trend and cycle: statistics or	
27.5					economics?	599
				31.2	Theories of the business cycle	600
	Review questions	540				605
Evch	ange rates and the belonge of			31.4	An international business cycle?	608
		541				609
_				31.6		609
					Summary	611
					Review questions	612
		340	32			613
20.5		549				613
28.6						618
						620
		332			•	621
20.0		553				622
				32.6		624
						626
	Terrem questions	330			Review questions	627
Open	economy macroeconomics	560				
		560				
	fixed exchange rates	564				
	26.1 26.2 26.3 26.4 26.5 26.6 26.7 Unem 27.1 27.2 27.3 27.4 27.5 Exchapaym 28.1 28.2 28.3 28.4 28.5 28.6 28.7 28.8	Inflation, expectations and credibility 26.1 Money and inflation 26.2 Inflation and interest rates 26.3 Inflation, money and deficits 26.4 Inflation, unemployment and output 26.5 The costs of inflation 26.6 Defeating inflation 26.7 The Monetary Policy Committee Summary Review questions Unemployment 27.1 The labour market 27.2 Analysing unemployment 27.3 Explaining changes in unemployment 27.4 Cyclical fluctuations in unemployment 27.5 The cost of unemployment Summary Review questions Exchange rates and the balance of payments 28.1 The foreign exchange market 28.2 Exchange rate regimes 28.3 The balance of payments 28.4 The real exchange rate 28.5 Determinants of the current account 28.6 The financial account 28.7 Internal and external balance 28.8 The long-run equilibrium real exchange rate Summary Review questions Open economy macroeconomics 29.1 Fixed exchange rates 29.2 Macroeconomic policy under	Inflation, expectations and credibility 26.1 Money and inflation 501 26.2 Inflation and interest rates 503 26.3 Inflation, money and deficits 505 26.4 Inflation, unemployment and output 507 26.5 The costs of inflation 512 26.6 Defeating inflation 515 26.7 The Monetary Policy Committee Summary 521 Review questions 522 Unemployment 527 27.1 The labour market 525 27.2 Analysing unemployment 527 27.3 Explaining changes in unemployment 530 27.4 Cyclical fluctuations in unemployment 535 27.5 The cost of unemployment 536 Summary 539 Review questions 540 Exchange rates and the balance of payments 541 28.1 The foreign exchange market 541 28.2 Exchange rate regimes 544 28.3 The balance of payments 545 28.4 The real exchange rate 548 28.5 Determinants of the current account 549 28.6 The financial account 550 28.7 Internal and external balance 552 28.8 The long-run equilibrium real exchange rate 553 Summary 7 Review questions 558 Open economy macroeconomics 560 29.1 Fixed exchange rates 560 29.2 Macroeconomic policy under	Review questions 499	Review questions	Review questions 499 Inflation, expectations and credibility 500 26.1 Money and inflation 501 26.2 Inflation and interest rates 503 26.3 Inflation, money and deficits 505 26.4 Inflation, unemployment and output 507 26.5 The costs of inflation 515 26.6 Defeating inflation 515 26.7 The Monetary Policy Committee Summary 521 Review questions 522 Review questions 522 7.2 Analysing unemployment 524 27.3 Explaining changes in unemployment 527 27.3 Explaining changes in unemployment 530 27.4 Cyclical fluctuations in unemployment 530 Summary 539 Review questions 540 Exchange rates and the balance of payments 541 28.1 The foreign exchange market 28.2 Exchange rate regimes 544 28.3 The balance of payments 545 28.4 The real exchange rate 28.5 Determinants of the current account acco

PAF	RT FIV	E The world economy		35 European integration	672
			(21	35.1 The Single Market	672
33		national trade	631	35.2 Benefits of the Single Market	673
		Trade patterns	632	35.3 From EMS to EMU	676
		Comparative advantage	635	35.4 The economics of EMU	678
		Intra-industry trade	640	35.5 Central and Eastern Europe	682
		Gainers and losers	642	Summary	688
		The economics of tariffs	643	Review questions	689
	33.6	Good and bad arguments for			
		tariffs	645	36 Poverty, development and	
	33.7	Tariff levels: not so bad?	650	globalization	691
	33.8	Other trade policies	650	36.1 World income distribution	692
		Summary	653	36.2 Obstacles to development	692
		Review questions	654	36.3 Development through trade in	
				primary products	694
34		ange rate regimes	655	36.4 Industrialization	698
		The gold standard	656	36.5 Borrowing to grow	699
		An adjustable peg	658	36.6 Aid	704
		Floating exchange rates	659	36.7 Globalization	705
	34.4	Speculative attacks on pegged		Summary	709
		exchange rates	660	Review questions	710
	34.5	Fixed versus floating	662	1	
	34.6	International policy co-ordination	664	Appendix: Answers to review questions and	
	34.7	The European Monetary System	666	Activity boxes	712
		Summary	670	Glossary	739
		Review questions	671	Index	751