

Contents

List of Boxes	vii	7 Profit Maximising under Imperfect Competition	169
Preface	x	7.1 Monopolistic competition	170
Guided Tour	xvi	7.2 Oligopoly	174
		7.3 Price discrimination	188
Part A: Introduction	1	8 Alternative Theories of the Firm	194
1 Introducing Economics	3	8.1 Problems with traditional theory	195
1.1 What do economists study?	4	8.2 Alternative maximising theories	200
1.2 Different economic systems	15	8.3 Multiple aims	208
1.3 The nature of economic reasoning	22	8.4 Pricing in practice	212
Part B: Foundations of Microeconomics	27	9 The Theory of Distribution of Income	215
2 Supply and Demand	29	9.1 Wage determination under perfect competition	216
2.1 Demand	30	9.2 Wage determination in imperfect markets	224
2.2 Supply	36	9.3 Capital and profit	239
2.3 Price and output determination	40	9.4 Land and rent	249
2.4 Elasticity	44	10 Inequality, Poverty and Policies to Redistribute Incomes	253
2.5 The time dimension	56	10.1 Inequality and poverty	254
3 Government Intervention in the Market	63	10.2 Taxes, benefits and the redistribution of income	266
3.1 The control of prices	64	11 Markets, Efficiency and the Public Interest	282
3.2 Indirect taxes	67	11.1 Efficiency under perfect competition	283
3.3 Government rejection of market allocation	69	11.2 The case for government intervention	290
3.4 Agriculture and agricultural policy	71	11.3 Forms of government intervention	299
Part C: Microeconomics	85	*11.4 Cost-benefit analysis	306
4 Background to Demand	87	11.5 The case for <i>laissez-faire</i>	314
4.1 Marginal utility theory	88	12 Applied Microeconomics	319
4.2 Demand under conditions of risk and uncertainty	97	12.1 Economics of the environment	320
*4.3 Indifference analysis	101	12.2 Traffic congestion and urban transport policies	333
5 Background to Supply	114	12.3 Competition policy	342
5.1 The short-run theory of production	115	12.4 Privatisation and regulation	351
5.2 Costs in the short run	121	12.5 Privatisation in transition economies	363
5.3 The long-run theory of production	126	Part D: Foundations of Macroeconomics	371
5.4 Costs in the long run	134	13 The National Economy	373
5.5 Revenue	139	13.1 The scope of macroeconomics	374
5.6 Profit maximisation	142	13.2 The circular flow of income	376
6 Profit Maximising under Perfect Competition and Monopoly	148	13.3 Measuring national income and output	380
6.1 Alternative market structures	149	13.4 Short-term economic growth and the business cycle	384
6.2 Perfect competition	150		
6.3 Monopoly	158		
6.4 The theory of contestable markets	164		

13.5 Long-term economic growth	390	21 Aggregate Supply, Unemployment and Inflation	588
Appendix: Calculating GDP	393	21.1 Aggregate supply	589
14 Unemployment and Inflation	400	21.2 The expectations-augmented Phillips curve	596
14.1 The nature of unemployment	401	21.3 Inflation and unemployment: the new classical position	601
14.2 Causes of unemployment	406	21.4 Inflation and unemployment: the modern Keynesian position	607
14.3 Aggregate demand and supply and the level of prices	411	21.5 Postscript: common ground among economists?	611
14.4 Inflation	414	22 Long-term Economic Growth and Supply-side Policies	613
14.5 The relationship between inflation and unemployment	421	22.1 Economic growth in the long run	614
15 The Open Economy	426	22.2 Supply-side policies	621
15.1 The balance of payments	427	22.3 Market-orientated supply-side policies	623
15.2 Exchange rates	430	22.4 Interventionist supply-side policies	630
15.3 Postscript to Part D: the relationship between the four macroeconomic objectives	435	22.5 Regional and urban policy	636
Part E: Macroeconomics	439	Part F: The World Economy	645
16 The Roots of Modern Macroeconomics	441	23 International trade	647
16.1 Setting the scene: three key issues	442	23.1 The advantages of trade	648
16.2 Classical macroeconomics	444	23.2 Arguments for restricting trade	657
16.3 The Keynesian revolution	451	23.3 Preferential trading	667
16.4 The monetarist–Keynesian debate	456	23.4 The European Union	672
16.5 The current position: an emerging consensus?	461	24 The Balance of Payments and Exchange Rates	680
17 Short-run Macroeconomic Equilibrium	465	24.1 Alternative exchange rate regimes	681
17.1 Background to the theory	466	24.2 Fixed exchange rates	688
17.2 The determination of national income	475	24.3 Free-floating exchange rates	693
17.3 The simple Keynesian analysis of unemployment and inflation	481	24.4 Exchange rate systems in practice	700
17.4 The Keynesian analysis of the business cycle	484	*Appendix: The open economy and ISLM analysis	708
18 Money and Interest Rates	491	25 Global and Regional Interdependence	713
18.1 The meaning and functions of money	492	25.1 Globalisation and the problem of instability	714
18.2 The financial system in the UK	494	25.2 Concerted international action to stabilise exchange rates	718
18.3 The supply of money	504	25.3 European economic and monetary union (EMU)	723
18.4 The demand for money	512	25.4 Achieving greater currency stability	727
18.5 Equilibrium	516	26 Economic Problems of Developing Countries	732
19 The Relationship between the Money and Goods Markets	518	26.1 The problem of underdevelopment	733
19.1 The effects of monetary changes on national income	519	26.2 International trade and development	737
19.2 The monetary effects of changes in the goods market	526	26.3 Structural problems within developing countries	746
*19.3 ISLM analysis: the integration of the goods and money market models	529	26.4 The problem of debt	752
19.4 Taking inflation into account	537	The Castaways	761
20 Fiscal and Monetary Policy	542	Appendix 1: Some Techniques of Economic Analysis	A:1
20.1 The nature of fiscal policy	543	Appendix 2: Web Sites	A:13
20.2 The effectiveness of fiscal policy	549	Appendix 3: Sources of Economic Data	A:16
20.3 Varieties of monetary policy	556	Glossary	G:1
20.4 Problems of monetary policy	565	Index	I:1
*20.5 ISLM analysis of fiscal and monetary policy	571		
20.6 Fiscal and monetary policy in the UK	573		
20.7 Rules versus discretion	582		