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To Mem and to Terri and Craig, and to past instructors
About the Authors

Campbell R. McConnell earned his Ph.D. from the University of Iowa after receiving degrees from Cornell College and the University of Illinois. He taught at the University of Nebraska–Lincoln from 1953 until his retirement in 1990. He is also coauthor of Contemporary Labor Economics, eighth edition, and Essentials of Economics, second edition (both The McGraw-Hill Companies), and has edited readers for the principles and labor economics courses. He is a recipient of both the University of Nebraska Distinguished Teaching Award and the James A. Lake Academic Freedom Award and is past president of the Midwest Economics Association. Professor McConnell was awarded an honorary Doctor of Laws degree from Cornell College in 1973 and received its Distinguished Achievement Award in 1994. His primary areas of interest are labor economics and economic education. He has an extensive collection of jazz recordings and enjoys reading jazz history.

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Sean M. Flynn did his undergraduate work at the University of Southern California before completing his Ph.D. at U.C. Berkeley, where he served as the Head Graduate Student Instructor for the Department of Economics after receiving the Outstanding Graduate Student Instructor Award. He teaches at Vassar College in Poughkeepsie, New York, and is also the author of Economics for Dummies (Wiley) and Essentials of Economics, second edition (The McGraw-Hill Companies). His research interests include finance and behavioral economics. An accomplished martial artist, he has represented the United States in international aikido tournaments and is the author of Understanding Shodokan Aikido (Shodokan Press). Other hobbies include running, travel, and ethnic food.
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Preface

Welcome to the eighteenth edition of Economics, the bestselling economics textbook in the world. An estimated 14 million students have used Economics or its companion editions, Macroeconomics and Microeconomics. Economics has been adapted into Australian and Canadian editions and translated into Italian, Russian, Chinese, French, Spanish, Portuguese, and other languages. We are pleased that Economics continues to meet the market test: nearly one out of four U.S. students in principles courses used the seventeenth edition.

A Note about the Cover and New Coauthor

In the tradition of the previous two covers, the cover for this edition includes a photograph of steps. The new edition’s cover is a metaphor for the step-by-step approach that we use to present basic economic principles. It also represents the simplicity, beauty, and power of basic economic models. We have chosen a highly modern photo to reflect the addition of our new coauthor, Sean M. Flynn, who has helped modernize the content of the book from cover to cover. Sean did his undergraduate work at USC, received his Ph.D. from U.C. Berkeley (in 2002), teaches principles at Vassar, and is the author of Economics for Dummies. We are greatly pleased to have Sean working on the text since he shares our commitment to present economics in a way that is understandable to all.

Fundamental Objectives

We have three main goals for Economics:

• Help the beginning student master the principles essential for understanding the economizing problem, specific economic issues, and the policy alternatives.
• Help the student understand and apply the economic perspective and reason accurately and objectively about economic matters.
• Promote a lasting student interest in economics and the economy.

What’s New and Improved?

One of the benefits of writing a successful text is the opportunity to revise—to delete the outdated and install the new, to rewrite misleading or ambiguous statements, to introduce more relevant illustrations, to improve the organizational structure, and to enhance the learning aids.

This is the most significant revision of Economics since the fourteenth edition. It has greatly benefited from the addition of our new coauthor. The more significant changes include the following.

Micro First Organization

Perhaps most noticeably, we changed the book’s organization to micro first in keeping with how contemporary economists view the direction of linkage between the two parts of the subject. All the new principles texts introduced during the past two decades have been organized as micro-first texts and colleges have increasingly changed their course numbering (sequencing) to micro first.

As it relates to the actual principles course, however, this change in ordering is mainly symbolic. Micro and macro courses are still taught separately and independently, with no prerequisite on either. Also, students increasingly use the split micro and macro versions of our main text, even in schools that adopt our book for all sections of both micro and macro principles. We therefore think that most instructors will find it relatively easy to make the transition to the new ordering.

Fully Updated, Totally Contemporary Macroeconomics

We recast the entire macro analysis in terms of the modern, dominant paradigm of macroeconomics, using economic
growth as the central backdrop and viewing business fluctuations as significant and costly variations in the rate of growth. In this paradigm, business cycles result from demand shocks (or, less often, supply shocks) in conjunction with inflexible short-run product prices and wages. The degree of price and wage stickiness decreases with time. In our models, the immediate short run is a period in which the price level and wages are not only sticky, but stuck; the short run is a period in which product prices are flexible and wages are not; and the long run is a period in which both prices and wages are fully flexible. Each of these three periods—and thus each of the models based on them—is relevant to understanding the actual macro economy and its occasional difficulties.

New Chapter 23 introduces the macro framework in a lively, intuitive way, using an example of a hypothetical single-firm economy. It also makes a clear, critical distinction between the broader concept of financial investment and the narrower subset of investment called economic investment in a way that allows us to use both ideas. A chapter on the measurement of nominal and real GDP follows. With real GDP clearly defined and measured, we present a chapter on economic growth. This early placement of the growth chapter allows students to understand the importance of economic growth and the factors that drive it. This growth chapter is followed by a chapter that introduces business fluctuations along the economy’s growth path and the problems of unemployment and inflation that may result.

Following this set of core beginning chapters, we immediately begin to build models of the economy for the immediate short run and the short run. Students are therefore quickly introduced to models in which recessions and inflation can occur. This approach allows us to use the short-run AD-AS model to address fiscal policy and monetary policy relatively earlier in the macro. Students are made fully aware from the start of the macro that the rate of economic growth is fundamentally important for standards of living. Yet, the quick introduction of sticky price models enables students to understand demand shocks, recession, stimulatory fiscal policy, Fed monetary policy actions, and other topics that dominate the news about the macro economy.

Because Chapter 5 provides an early introduction to international trade and international finance, we are able to integrate the global economy from the start of the macro analysis. Then, after eventually developing the long-run AD-AS model, we directly link this long-run analysis back to our earlier discussions of growth. We finish the macro with two chapters that provide further analysis of international trade, balance of payments, exchange rates, and trade imbalances. The macro ends with a bonus Web chapter on the requisites for, and impediments to, economic growth in developing nations.

Although the framework in which the macro is built is extensively revised, the revisions were made to preserve the main elements of the chapters in the previous edition. We simply have wrapped the macroeconomics analysis into a modern package of growth, expectations, shocks, price stickiness, time horizons, and international linkages.

Our macro content is also fully modern in terms of its coverage of contemporary problems and policies. For example, we cover the mortgage debt crisis, the recent economic slowdown, the Fed’s reductions of the Federal funds rate, the Fed’s term auction facility, the stimulus tax package of 2008, and more.

**Four New Chapters**

Four chapters—two micro and two macro—are new to the print version of *Economics*. Our common purpose for all four chapters is to incorporate contemporary analytical themes and address current economic issues.

**Chapter 15: Natural Resource and Energy Economics.** This new micro chapter—brought from our Web site for the seventeenth edition—is now in Part 3 (Microeconomics of Resource Markets). This chapter addresses the question of whether the world is becoming overpopulated and rapidly running out of resources. It covers topics such as declining fertility rates, the optimal rate of resource extraction, resource substitution, resource sustainability, oil prices, and alternative energy sources. An understanding of the basic economic principles of natural resource economics will be critical to future voters and leaders. This micro treatment of natural resource and energy topics is particularly timely since many students are regularly exposed to alarmist views on these subjects.

**Chapter 22: Immigration.** This new micro chapter covers the economics of immigration—both legal and illegal—in an analytical and balanced way. Students are highly interested in this subject, yet often lack the economic knowledge and tools to grasp the issues and debates. This chapter provides that basic economic understanding. The chapter also serves as a timely application of the economic principles developed in the prior chapters on resource markets.

**Chapter 23: An Introduction to Macroeconomics.** As previously noted, this new chapter introduces the revised macroeconomic content in an interesting, concise way. It motivates the study of macroeconomics and establishes the analytical framework to the subject that we use throughout the macro portion of the book.
Chapter 34: Financial Economics. This new macro chapter examines ideas such as compound interest, present value, arbitrage, risk, diversification, and the risk-return relationship. Students need a better grounding in such ideas to truly understand the modern economy. In view of the problems in the financial markets over the recent past, we think that integrating financial economics more directly in the macro principles course makes good sense. For many students, this course will be their only (classroom!) opportunity to learn that promises of high, unguaranteed returns reflect high, uninsured risk. Even if instructors cannot find time to assign and cover the entire chapter, they may want to discuss the beginning portion, which addresses the time value of money and provides easy-to-understand real-world examples of present value.

To make room for our four new chapters, we had to make certain accommodations. Specifically, we moved our micro chapter “Technology, R & D, and Efficiency” to the book’s Web site, where it joins the chapter “The Economics of Developing Countries.” Both chapters are available free to students for full-color viewing and can be printed for off-computer study. Furthermore, these chapters are fully supported by all the supplementary materials such as the Study Guide and Test Banks. Instructors who wish to cover the R&D chapter, rather than, for example, the new resource chapter, can easily make the substitution.

We also deleted the chapter “Labor Market Issues and Institutions: Unions, Discrimination, and Immigration.” The core of the union content is now an appendix to the wage determination chapter; the discrimination material is consolidated and placed in the chapter “Income Inequality, Poverty, and Discrimination,” and the immigration content now is part of the full new chapter on this subject.

Also, we deleted the mainly macro chapter on the balance of payments, exchanges rates, and trade deficits from the micro split version of Economics. It continues to be in Economics and the macro split.

Our explicit discussion of Keynesian versus Classical macroeconomics in the chapter on macro theories and issues has been deleted since we integrated the graphical analysis into earlier chapters. Finally, we have deleted the lengthy historical discussions of the gold standard and the Bretton Woods System from the chapter on exchange rates and placed it as supplemental material for the chapter at our Web site. Other, lesser deletions or abridgements have occurred throughout the book.

Three New Appendixes
Three additional chapter appendixes are available for optional assignment in this edition. All are supported by the supplementary materials. The concise new appendixes are:

Chapter 3: Additional Examples of Supply and Demand. At the end of Chapter 3 we provide several additional examples of supply and demand, including concrete examples of simultaneous shifts in supply and demand curves. Products covered include lettuce, corn and ethanol, pink salmon, gasoline, and sushi. We also use the Olympic Games to illustrate examples of preset prices, shortages, and surpluses.

Chapter 11: Additional Game Theory Applications. We placed several applications of game theory in a new appendix at the end of the micro chapter on monopolistic competition and oligopoly. Instructors who like to stress game theory in dealing with oligopoly now have strong backup support from the textbook for their efforts. The appendix discusses concepts such as dominant strategies, Nash equilibrium, repeated games, and first-mover advantages.

Chapter 13: Labor Unions and Their Impacts. This compact appendix covers union membership, the decline of unions, collective bargaining, and the economic effects of unions.

New (or Relocated) “Consider This” and “Last Word” Boxes
Our “Consider This” boxes are used to provide analogies, examples, or stories that help drive home central economic ideas in a student-oriented, real-world manner. For instance, the idea of trade secrets is described with the legend of “cat gut” and violin strings, while McDonald’s “MeHits” and “McMisses” demonstrate the idea of consumer sovereignty. These brief vignettes, each accompanied by a photo, illustrate key points in a lively, colorful, and easy-to-remember way.

New or relocated “Consider This” boxes include such disparate topics as an economic comparison of the two Koreas (Chapter 2), “buying American” (Chapter 5), the prisoner’s dilemma (Chapter 11), government policies and birth rates (Chapter 15), turning
entails into oil (Chapter 15), putting corn in our gas tanks (Chapter 19), consumption inequality (Chapter 20), the cancer fight that is going nuclear (Chapter 21), the contributions of past immigrants to the U.S. economy (Chapter 22), patent reform in India (Chapter 25), and the relative returns on standard versus ethical investing (Chapter 34).

Our “Last Word” pieces are lengthier applications and case studies located toward the end of chapters. New or relocated Last Words include those on fair trade products (Chapter 5); insights from behavioral economics (Chapter 7); the link between economic growth and environmental protection (Chapter 15); past and current, and proposed U.S. immigration laws (Chapter 22); the role of inventory management in moderating recessions (Chapter 23); the Fed’s response to the mortgage debt crisis (Chapter 33); the relative performance of index funds versus actively managed funds (Chapter 34); and Bastiat’s “Petition of the Candlemakers” (Chapter 37).

Contemporary Discussions and Examples
The eighteenth edition refers to and discusses many current topics. Examples include the cost of the war in Iraq; surpluses and shortages of tickets at the Olympics; the myriad impacts of ethanol subsidies; offshoring of American jobs; trade adjustment assistance; the additions of countries to the European Union and to the euro zone; normal trade relations status; aspects of behavioral economics; game theory; the most rapidly expanding and disappearing U.S. jobs; oil and gasoline prices; climate change; The Food, Conservation, and Energy Act of 2008; consumption versus income inequality; prescription drug coverage under Medicare; Health Savings Accounts (HSAs); comprehensive immigration reform; China’s rapid growth rate; the business downturn of late 2007 and early 2008; the stimulus package of 2008; Federal budget deficits; the mortgage debt crisis; recent Fed monetary policy; the Fed’s new term auction facility; the Taylor rule; U.S. trade deficits; and many more.

Distinguishing Features

Comprehensive Explanations at an Appropriate Level Economics is comprehensive, analytical, and challenging yet fully accessible to a wide range of students. The thoroughness and accessibility enable instructors to select topics for special classroom emphasis with confidence that students can read and comprehend other independently assigned material in the book. Where needed, an extra sentence of explanation is provided. Brevity at the expense of clarity is false economy.

Fundamentals of the Market System Many economies throughout the world are still making difficult transitions from planning to markets while a handful of other countries such as Venezuela seem to be trying to reestablish government-controlled, centrally planned economies. Our detailed description of the institutions and operation of the market system in Chapter 2 is therefore even more relevant than before. We pay particular attention to property rights, entrepreneurship, freedom of enterprise and choice, competition, and the role of profits because these concepts are often misunderstood by beginning students worldwide.

Early and Full Integration of International Economics We give the principles and institutions of the global economy early treatment. Chapter 5 examines the growth of world trade and its major participants, specialization and comparative advantage, the foreign exchange market, tariffs and subsidies, and various trade agreements. This strong introduction to international economics permits “globalization” of later discussions in both the micro and the macro chapters. Then, we delve into the more difficult, graphical analysis of international trade and finance in Chapters 37 and 38.

Early and Extensive Treatment of Government Government is an integral component of modern capitalism. This book introduces the economic functions of government early and accords them systematic treatment in Chapter 4. Chapter 16 examines public goods and externalities in further detail, and Chapter 17 looks at salient facets of public choice theory and taxation. Both the micro and the macro sections of the text include issue- and policy-oriented chapters.
Stress on the Theory of the Firm  We have given much attention to microeconomics in general and to the theory of the firm in particular, for two reasons. First, the concepts of microeconomics are difficult for most beginning students; abbreviated expositions usually compound these difficulties by raising more questions than they answer. Second, we wanted to couple analysis of the various market structures with a discussion of the impact of each market arrangement on price, output levels, resource allocation, and the rate of technological advance.

Step-by-Step, Two-Path Macro  As in the previous edition, our macro continues to be distinguished by a systematic step-by-step approach in developing ideas and building models. Explicit assumptions about price and wage stickiness are posited and then systematically peeled away, yielding new models and extensions, all in the broader context of growth, expectations, shocks, and degrees of price and wage stickiness over time.

In crafting this step-by-step macro approach, we took care to preserve the “two-path macro” that many instructors appreciated. Instructors who so choose can bypass the immediate short-run model (Chapter 28) and can proceed without loss of continuity directly to the short-run AD-AS model (Chapter 29), fiscal policy, money and banking, monetary policy, and the long-run analysis.

Emphasis on Technological Change and Economic Growth  This edition continues to emphasize economic growth. Chapter 1 uses the production possibilities curve to show the basic ingredients of growth. Chapter 25 explains how growth is measured and presents the facts of growth. It also discusses the causes of growth, looks at productivity growth, and addresses some controversies surrounding economic growth. Chapter 25’s Last Word examines the rapid economic growth in China. Chapter 39Web focuses on developing countries and the growth obstacles they confront. Chapter 11Web provides an explicit and cohesive discussion of the microeconomics of technological advance, including topics such as invention, innovation, and diffusion; start-up firms; R&D decision making; market structure and R&D effort; and creative destruction.

Focus on Economic Policy and Issues  For many students, the micro chapters on antitrust, agriculture, income inequality, health care, and immigration, along with the macro chapters on fiscal policy and monetary policy, are where the action is centered. We guide that action along logical lines through the application of appropriate analytical tools. In the micro, we favor inclusiveness; instructors can effectively choose two or three chapters from Part 5.

Integrated Text and Web Site  *Economics* and its Web site are highly integrated through in-text Web buttons, Web-based end-of-chapter questions, bonus Web chapters, multiple-choice self-tests at the Web site, math notes, and other features. Our Web site is part and parcel of our student learning package, customized to the book.

The in-text Web buttons (or indicators) merit special mention. Three differing colors of rectangular indicators appear throughout the book, informing readers that complementary content on a subject can be found at our Web site, [www.mcconnell18e.com](http://www.mcconnell18e.com). The indicator types are:

**Worked Problems**  Written by Norris Peterson of Pacific Lutheran University (WA), these pieces consist of side-by-side computational questions and computational procedures used to derive the answers. In essence, they extend the textbook’s explanation involving computations—for example, of real GDP, real GDP per capita, the unemployment rate, the inflation rate, per-unit production costs, economic profit, and more. From a student’s perspective, they provide “cookbook” help for problem solving.

**Interactive Graphs**  These pieces (developed under the supervision of Norris Peterson) depict 30 major graphs and instruct students to shift the curves, observe the outcomes, and derive relevant generalizations. This hands-on graph work will greatly reinforce the graphs and their meaning.

**Origin of the Ideas**  These pieces, written by Randy Grant of Linfield College (OR), are brief histories of 70 major ideas identified in the book. They identify the particular economists who developed ideas such as opportunity costs, equilibrium price, the multiplier, comparative advantage, and elasticity.

**Organizational Alternatives**  Although instructors generally agree on the content of principles of economics courses, they sometimes differ on how to arrange the material. *Economics* includes 10 parts, and thus provides considerable organizational flexibility.
We chose to move from microeconomics to macroeconomics because this is consistent with how contemporary economists view the direction of linkage between the two components. The introductory material of Part 1, however, can be followed immediately by the macroanalysis of Parts 6 and 7. Similarly, the two-path macro enables covering the full aggregate expenditures model or advancing directly from the basic macro relationships chapter to the AD-AS model.

Some instructors will prefer to intersperse the microeconomics of Parts 3 and 4 with the problems chapters of Part 5. Chapter 19 on agriculture may follow Chapter 9 on pure competition; Chapter 18 on antitrust and regulation may follow Chapters 10, 11, and 11Web on imperfect competition models and technological advance. Chapter 22 on immigration may follow Chapter 13 on wages; and Chapter 20 on income inequality may follow Chapters 13 and 14 on distributive shares of national income.

Instructors who teach the typical two-semester course and feel comfortable with the book’s organization will find that, by putting Parts 1 to 5 in the first semester and Parts 6 to 10 in the second, the material is divided logically between the two semesters.

Pedagogical Aids

Economics is highly student-oriented. The “To the Student” statement at the beginning of Part 1 details the book’s many pedagogical aids. The eighteenth edition is also accompanied by a variety of high-quality supplements that help students master the subject and help instructors implement customized courses.

Supplements for Students and Instructors

Study Guide One of the world’s leading experts on economic education, William Walstad of the University of Nebraska–Lincoln, prepared the eighteenth edition of the Study Guide. Many students find the Study Guide indispensable. Each chapter contains an introductory statement, a checklist of behavioral objectives, an outline, a list of important terms, fill-in questions, problems and projects, objective questions, and discussion questions.

The Guide comprises a superb “portable tutor” for the principles student. Separate Study Guides are available for the macro and micro paperback editions of the text.

Premium Content The Premium Content, available at the Online Learning Center, offers a range of dynamic study aids to the student. Narrated PowerPoint presenta-

tions enable students to see key concepts and hear the explanation simultaneously. The Solman Videos, a set of more than 250 minutes of video created by Paul Solman of The News Hour with Jim Lehrer, cover core economic concepts such as elasticity, deregulation, and perfect competition. These study aids plus pre- and post-tests and chapter quizzes can be purchased and downloaded to an iPod, MP3 player, or desktop computer. Premium Content enables the student to study and self-test on his or her computer or on the go.

McGraw-Hill Connect Economics Connect Economics is a complete, online supplement system that duplicates and expands upon the textbook’s end-of-chapter material and test banks. Nearly all the questions from the text, including the numerous graphing exercises, are presented in an autogradable format and tied to the text’s learning objectives. Instructors may edit existing questions and author entirely new problems. Connect Economics can be used for student practice, homework, quizzes, and formal examinations. Detailed grade reports enable instructors to see how each student performs on a particular problem, a full assignment, and in the context of the overall class. The Connect Economics grade reports can be easily integrated with WebCT and Blackboard. Connect Economics is also available with an integrated online version of the textbook. With a single access code, students can read the eBook, work through practice problems, do homework, and take exams.

CourseSmart eTextbook For roughly half the cost of a print book, you can reduce your impact on the environment by buying McConnell, Brue, and Flynn’s Economics, 18e eText. CourseSmart eTextbooks, available in a standard online reader, retain the exact content and look of the print text, plus offer the advantage of digital navigation to which students are accustomed. Students can search the text, highlight, take notes, and use e-mail tools to share notes with their classmates. CourseSmart also includes tech support in case
help is ever needed. To buy *Economics, 18e* as an eText, or to learn more about this digital solution, visit www.CourseSmart.com and search by title, author, or ISBN.

**Instructor's Manual** Shawn D. Knabb of Western Washington University revised and updated the Instructor's Manual.

The revised Instructor's Manual includes:
- Chapter summaries.
- Listings of “what’s new” in each chapter.
- Teaching tips and suggestions.
- Learning objectives.
- Chapter outlines.
- Data and visual aid sources with suggestions for classroom use.
- Extra questions and problems.
- End-of-chapter correlation guides mapping content to the learning objectives and important AACSB and Bloom’s Taxonomy standards.

The Instructor's Manual is available on the instructor’s side of the Online Learning Center.

**Three Test Banks** Test Bank I contains about 6650 multiple-choice and true-false questions, most of which were written by the text authors. Randy Grant revised Test Bank I for the eighteenth edition. Test Bank II contains around 6300 multiple-choice and true-false questions, updated by Michael Youngblood of Rock Valley College. All Test Bank I and II questions are organized by learning objective, topic, AACSB Assurance of Learning, and Bloom’s Taxonomy guidelines. Test Bank III, written by William Walstad, contains more than 600 pages of short-answer questions and problems created in the style of the book’s end-of-chapter questions. Test Bank III can be used to construct student assignments or design essay and problem exams. Suggested answers to the essay and problem questions are included. In all, more than 14,000 questions give instructors maximum testing flexibility while ensuring the fullest possible text correlation.

Test Banks I and II are available through EZ Test Online as well as in MS Word. EZ Test allows professors to created customized tests that contain both questions that they select from the test banks as well as questions that they craft themselves. Test Bank III is available in MS Word on the password-protected instructor’s side of the Online Learning Center, and on the Instructor Resource CD, both of which we will describe shortly.

**PowerPoint Presentations** Nora Underwood of the University of Central Florida updated the PowerPoint Presentations for the eighteenth edition. Each chapter, including the Web chapters, is accompanied by a concise yet thorough tour of the key concepts. Instructors can use the slides in the classroom while students can use the slides to study. Students can view a second, distinct set of slides—the Narrated PowerPoint Presentations—on the site or download the material to their video iPod. The content is correlated to the Learning Objectives. This exceptional study aid, updated by Darlene DeVera of Deanza College, is a part of the Premium Content package.

**Digital Image Library** Every graph and table in the text is available on the instructor’s side of the Web site and on the Instructor’s Resource CD-ROM.

**Online Learning Center** (www.mcconnell18e.com) The Web site accompanying this book is a central resource for students and instructors alike. The optional Web Chapters: “Technology, R&D, and Efficiency,” “The Economics of Developing Countries,” and Chapter 38 Web supplement: “Previous International Exchange-Rate Systems” are posted as full-color PDF files. As previously mentioned, the three in-text Web buttons alert the students to points in the book where they can springboard to the Web site to get more information. Students can test their knowledge of a chapter’s concepts with the self-graded multiple-choice quiz and review PowerPoint presentations.

The password-protected Instructor Center houses the Instructor’s Manual, all three Test Banks, and links to EZ Test Online, PowerPoint Presentations, and Digital Image Library.

**Instructor’s Resource CD-ROM** This CD contains all three test banks, PowerPoint presentations, and the Digital Image Library featuring all of the tables and figures from the text.

**Classroom Performance Systems by eInstruction** This is a revolutionary system that brings ultimate interactivity to the classroom. CPS is a wireless response system that gives you immediate feedback from every student in the class. CPS units include easy-to-use software for creating and delivering questions and assessments to your class. With CPS you can ask subjective and objective questions. Then every student responds with an individual, wireless response pad, providing instant results. CPS is the perfect
tool for engaging students while gathering important assessment data.

Instructors can access eInstruction questions in two formats—CPS and PowerPoint. Motivate student preparation, interactivity, and active learning with these lecture formatted questions.

Assurance of Learning Ready Assurance of learning is an important element of many accreditation standards. *Economics*, 18e is designed specifically to support your assurance of learning initiatives. Each chapter in the book begins with a list of numbered learning objectives which appear throughout the chapter, as well as in the end-of-chapter problems and exercises. Every test bank question is also linked to one of these objectives, in addition to level of difficulty, topic area, Bloom’s Taxonomy level, and AACSB skill area. EZ Test, McGraw-Hill’s easy-to-use test bank software, can search the test bank by these and other categories, providing an engine for targeted Assurance of Learning analysis and assessment.

AACSB Statement The McGraw-Hill Companies is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, *Economics*, 18e has sought to recognize the curricula guidelines detailed in the AACSB standards for business accreditation by connecting end-of-chapter questions in *Economics*, 18e and the accompanying test banks to the general knowledge and skill guidelines found in the AACSB standards.

The statements contained in *Economics*, 18e are provided only as a guide for the users of this text. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While *Economics*, 18e and the teaching package make no claim of any specific AACSB qualification or evaluation, we have, within *Economics*, 18e labeled selected questions according to the six general knowledge and skills areas.

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