

Principles of Economics



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OpenStax	Senior Contributing Authors: Steve Greenlaw - University of Mary Washington Timothy Taylor - Macalester College	Principles of Economics, 2nd Edition	OpenStax
Marginal Revolution University	Tyler Cowen and Alex Tabarrok		MRUniversity Videos

Alta Principles of Economics was developed to meet the scope and sequence of most introductory and customizable one to two semester principles of economics courses. To develop the course, Knewton used a variety of content, including OpenStax, Marginal Revolution University, and a team of Subject Matter Experts (SMEs). The SMEs come from diverse backgrounds and are all accomplished academics in the field of economics.

Alta Principles of Economics has two pieces of instruction (video and text) for every application-based learning objective, giving students multiple, diverse opportunities to learn new skills, and text instruction for definition-based concepts. Alta Principles of Economics covers the typical breadth of economics topics, and also provides the necessary depth to ensure the course is manageable and engaging for instructors and students alike.

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Chapter 1: Welcome to Economics!

1.1 What is Economics and Why is it Important?

- Evaluate the significance of scarcity
- Explain the relationship between production and division of labor
- Contrast microeconomics and macroeconomics

1.2 Economic Theories, Models, and Systems

- Explain the importance of economic theories and models
- Interpret a circular flow diagram
- Contrast traditional economies, command economies, and market economies
- Assess the importance and effects of globalization

Chapter 2: Choice in a World of Scarcity

2.1 How Individuals Make Choices Based on Their Budget Constraint

- Interpret budget constraints
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- Understand how to use marginal analysis
- Define sunk costs
- Explain the law of diminishing marginal utility

2.2 The Production Possibilities Frontier and Social Choices

- Define production possibilities frontier
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- Define comparative advantage

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- Recall arguments against economic approaches to decision-making
- Classify normative statements and positive statements

Chapter 3: Introduction to Demand and Supply

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- Explain demand, quantity demanded, and the law of demand
 - Interpret demand schedules and demand curves
 - Explain supply, quantity supplied, and the law of supply
 - Interpret supply schedules and supply curves
 - Define equilibrium
 - Identify equilibrium using demand/supply curves
 - Identify equilibrium using demand/supply schedules
 - Explain how a market moves from shortage or surplus to an equilibrium
-

3.2 Shifts in Demand and Supply for Goods and Services

- Define the ceteris paribus assumption
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- Identify factors that shift supply curves
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- Graph shifts in supply

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- Use the four-step process to explain how shifts in demand affect equilibrium
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- Explain price ceilings
- Explain price floors
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- Analyze the effects of price ceilings on market equilibrium

3.5 Demand, Supply, and Efficiency

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- Explain why taxes on buyers and sellers can be inefficient

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- Explain how interest rates can affect supply and demand in financial markets
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-

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- Understand revenue, cost, and profits
- Use revenue and cost information to calculate accounting and economic profit

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- Understand the factors of production and be able to group factors into one of five categories
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- Calculate marginal product and understand the law of diminishing marginal product

7.3 Costs in the Short Run

- Identify the factor payments associated with the five factors of production
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- Use a cost function to calculate marginal and average costs
- Understand fixed, variable, and total costs of production
- Use fixed and variable costs to calculate average variable, average fixed, and average total costs
- Identify average total cost, average variable cost, and marginal cost on a graph
- Define average profit and profit margin

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- Understand the relationship between labor and machinery prices and firm production decisions
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- Understand market structure and the characteristics of a perfectly competitive industry
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 - Understand efficiency and how it relates to perfect competition
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- Differentiate between demand facing a perfectly competitive firm and a monopolist
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- Understand allocative efficiency in a monopoly

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- Remember the characteristics of monopolistic competition and oligopoly
- Identify examples of product differentiation
- Understand demand as perceived by a monopolistically competitive firm
- Use a graph or table to determine the monopolistic competitor's outcome
- Use a graph or table to determine the monopolistic competitor's profit
- Illustrate the transition to the long run in monopolistic competition when firms make short run profits
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- Understand the benefits of product differentiation and how advertising affects monopolistic competition

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- Understand how oligopolies form and how they could work together in production decisions
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- Understand how the prisoner's dilemma relates to oligopoly and calculate the game's outcome
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 - Define and calculate the Herfindahl-Hirschman Index
 - Understand how the FTC uses the HHI
 - Understand new approaches to antitrust policy
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- Understand how subsidies can be a solution to positive externalities and illustrate this graphically
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- Understand alternative government policies for promoting research and development

13.2 Public Goods

- Identify goods that are non-rival and non-excludable as public goods
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- Explain how public health programs create positive externalities

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- Calculate and graph the marginal product of labor
 - Calculate the value of marginal product of labor and plot it on a graph
 - Understand how firms in competitive labor markets choose how many workers to hire
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- Calculate and graph marginal revenue product in imperfectly competitive output markets
- Understand how imperfectly competitive firms choose how much labor to employ
- Understand equilibrium wage and employment in a labor market

14.2 Wages and Employment in an Imperfectly Competitive Labor Market

- Understand why workers receive protection from labor laws and identify examples of such protections
- Define monopsony power
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- Use a graph to identify a monopsony firm's level of employment and wage
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14.3 Market Power on the Supply Side of Markets and Bilateral Monopoly

- Define unions and remember basic facts about union membership in the US
- Understand how unions can affect wages
- Explain the tradeoff between wages and employment and understand the potential impacts of unions on worker productivity
- Understand possible explanations for the decline in union membership in the US
- Understand how bilateral monopoly affects employment and wages in labor markets

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- Define discrimination and understand trends in wage ratios over the past 50 years
- Understand factors that affect female-male wage ratios
- Understand factors that affect black-white wage ratios
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- Understand the costs and benefits, historical trends, and policy regarding immigration

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- Identify the government social insurance programs in the US
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- Explain how firms go about deciding which source of financial capital to use

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- Identify and explain voting cycles
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- Calculate GDP by what is produced
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- Define the recessions and depressions
- Define the business cycle

19.3 Comparing GDP Among Countries

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20.1 Labor Productivity and Economic Growth

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 - Explain property right, contractual right, and their importance for economic growth
 - Define labor productivity and understand the factors that affect labor productivity
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- Define the aggregate production function and identify its components
- Understand growth in labor productivity and the impact of the new economy
- Calculate future GDP using the compound GDP growth rate

20.2 Components of Economic Growth and Economic Convergence

- Discuss the components of economic growth, including physical capital, human capital, and technology
- Understand how capital deepening impacts labor productivity
- Understand which components of economic growth have been found to be most important
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- Explain how the government invests in physical capital, human capital, and technological growth

Chapter 32: Macroeconomic Policy Around the World

32.1 The Diversity of Countries and Economies Across the World

- Define low, middle, and high income country and understand how these countries vary in population and share of world income
 - Explain how differences in geography, demographics, industry structure, and economic institutions contribute to differences in GDP per capita around the world
 - Understand growth policies appropriate for high-income countries
 - Understand growth policies appropriate for middle-income countries
 - Understand growth policies appropriate for low-income countries
 - Explain the causes of unemployment around the world
 - Explain causes and solutions to inflation in various parts of the world
 - Define NAFTA and explain concerns related to trade
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Chapter 33: International Trade

33.1 Absolute and Comparative Advantage

- Explain comparative advantage and determine which country has an absolute advantage in producing a good
- Draw a country's production possibilities frontier
- Calculate a country's opportunity cost of producing one unit of a good and use this to determine comparative advantage
- Explain the relationship between comparative advantage and specialize and calculate world production before and after specialization
- Illustrate how trade can move a country beyond its production possibilities frontier

33.2 Absolute Advantage, Intra-Industry Trade Between Similar Economies, and Reducing the Barriers to International Trade

- Relate absolute advantage and labor productivity and calculate the increase in world output due to specialization even if one country has both absolute advantages
- Illustrate gains from trade when one country has an absolute advantage in both goods
- Explain why comparative advantage increases production for all countries
- Define and explain intra-industry trade
- Explain the World Trade Organization and understand the benefits to reducing trade barriers

Chapter 34: Globalization and Protectionism

34.1 Protectionism: An Indirect Subsidy from Consumers to Producers

- Explain protectionism, GATT, and WTO
- Identify equilibrium prices for a good in two countries with and without trade
- Calculate exports and imports using supply and demand diagrams
- Identify gains from trade on a supply and demand diagram
- Use a supply and demand diagram to illustrate the impact of imports and identify the impact on domestic market price
- Explain who benefits and who loses from protectionism

34.2 The Effects of International Trade and Arguments in Favor of Restricting Imports

- Explain how protectionism and trade affect jobs, wages, and working conditions
- Explain the infant industry argument and dumping
- Explain the environmental protection argument, the unsafe consumer products argument, and the national interest argument

34.3 How Governments Enact Trade Policy and The Tradeoffs of Trade Policy

- Explain The main objective of the WTO/GATT and understand regional trade agreements
 - Explain the relationship between free trade and domestic interests and how trade policy has evolved over time
 - Explain why free trade should be a first priority for policymakers
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Appendices

A.1 Indifference Curves

- Draw an indifference curve
- Interpret an indifference curve and explain its slope
- Explain why higher indifference curves are preferred to lower ones and how indifference curves differ across individuals
- Understand how an individual uses indifference curves and a budget line to maximize utility
- Explain how changes in income affect the utility maximizing choice
- Identify the income and substitution effects graphically
- Draw a labor-leisure indifference curve and budget line
- Explain the effect of a change in the wage on a worker's labor-leisure choice
- Draw an intertemporal choice indifference curve and budget line
- Explain the effect of a change in the interest rate on the choice between present and future consumption
- Sketch income and substitution effects

A.2 Present Discounted Value

- Calculate present discounted value of a stock
- Calculate present discounted value of a bond and understand the relationship between present value and interest rates

A.3 The Expenditure-Output Model

- Identify aggregate expenditure, the 45-degree line, and potential output on a graph
 - Define MPC and MPS
 - Draw a pre-tax consumption function
 - Explain the investment function and government spending function
 - Draw a post-tax consumption function
 - Explain the exports function and draw an imports function
 - Use the expenditure-output model to calculate expenditure and analyze how changing components affect expenditure
 - Explain equilibrium in the Keynesian cross model
 - Identify inflationary and recessionary gaps on an aggregate expenditure gap
 - Calculate and explain the spending multiplier
 - Use the spending multiplier to calculate the effect of an increase in spending on Real GDP
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