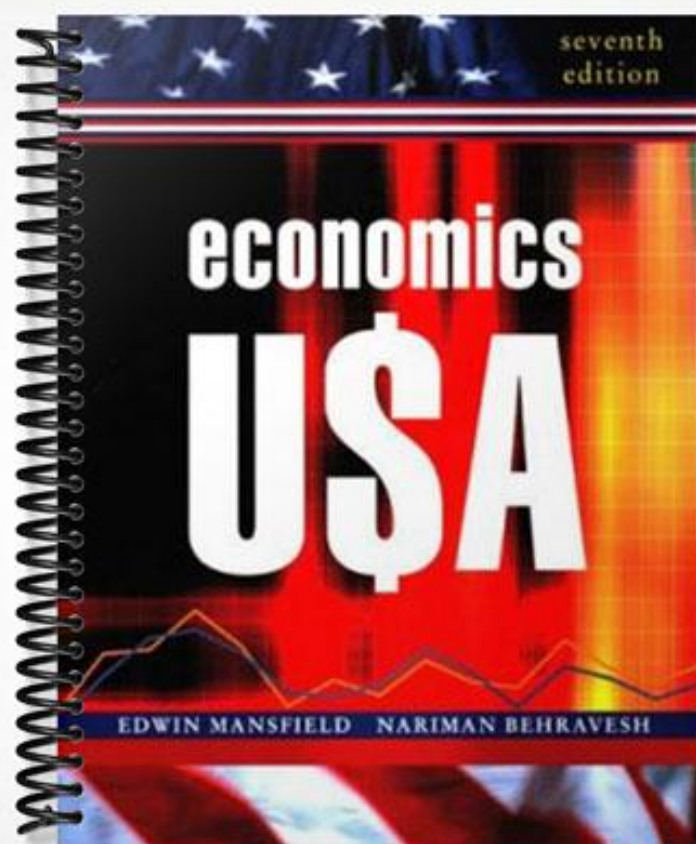


SOLUTIONS MANUAL



FACULTY MANUAL
FOR
ECONOMICS USA
SEVENTH EDITION

**FACULTY MANUAL
FOR
ECONOMICS U\$A
SEVENTH EDITION**

A television course created and produced by

The Educational Film Center

Faculty manual prepared by

The Southern California Consortium



W. W. Norton & Company, Inc.



Annenberg/CPB Project

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Printed in the United States of America

ISBN 0-393-92609-5 (pbk.)

W. W. Norton & Company, Inc.
500 Fifth Avenue, New York, N.Y. 10110
www.wwnorton.com

W. W. Norton & Company Ltd.
Castle House, 75/76 Wells Street
London W1T 3QT

1 2 3 4 5 6 7 8 9 0

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FOREWORD

This Faculty Manual has been developed especially for the telecourse *Economics U\$A* to assist faculty members and supporting administrative staff at institutions offering the telecourse. The manual is composed of four principal sections:

Instruction by Television

Promoting *Economics U\$A*

The Faculty Role

About the Course

The first section, Instruction by Television, examines questions generally asked about the use of television for teaching and learning.

Promoting *Economics U\$A*, the second section, contains suggestions regarding various media that can be used in promoting the telecourse, as well as sample press releases, sample public service announcements, and information regarding preproduced video and audio promotional announcements. This information should be of particular interest to those administering telecourses and the colleges' public information officers.

The Faculty Role, the third section, is designed for the faculty member who is responsible for conducting the telecourse. This section describes various areas of responsibility assumed by the telecourse instructor and creative approaches that can enrich the learning experience for enrolled students.

The fourth section, About the Course, describes the development of *Economics U\$A*, course goals, and the video and print elements of the course. Since this section explains the basic facts about the course—what it is, what it teaches, and how it teaches—it should be carefully reviewed by all persons participating in the course. Answers to Review and Practice in this section contains answers to the problems at the end of each text chapter.

FACULTY MANUAL
FOR
ECONOMICS USA
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INSTRUCTION BY TELEVISION ---

The sole purpose of using television is to make teaching and learning better than they are without television, to extend the scope and depth of education in the face of growing population and increasing necessity for the dissemination and assimilation of knowledge.¹

The potential of instructional television goes beyond its well-known attributes of magnification, multiplication, and replication. Television can make education more productive, increasing the rate of learning through the creative use of time and the visual interrelation of ideas. It can often demonstrate concepts and skills more clearly than a live presentation can.

Television can make education more powerful. Imagine the excitement of watching a physics demonstration too dangerous to perform in the classroom or sharing a first-night performance of Shakespeare or Albee.

Television can equalize access to education. For many students, especially those at the lower end of the economic ladder, bus fare or classes that interrupt the workday siphon funds from already slender budgets. Moreover, a television course is totally impartial about such matters as neighborhood or ethnic origin.

Television can make education more open. One of the perils of mass society may lie in closing options to divergent thinking. Television can broaden those options by offering a variety of expressions and opinions from which to choose. It can include viewpoints from sources normally overlooked or underplayed by usual channels of communication.

Visionary? Perhaps. But the impact of college-by-television is already making a difference in the lives of the people it serves. What is important is not an abstraction called instructional television, but television's ability to open wider the doors to a college education.

¹G. L. Martin, "Planning for Television: From Objectives to Equipment," in *A Guide to Instructional Television*, R. M. Diamond (New York: McGraw-Hill, 1964).

The Television Student

Demographic analyses of various programs utilizing nontraditional delivery systems (television, computers, audio/radio, newspapers) reveal that such programs attract a unique audience:

Employed individuals whose schedules discourage participation in campus classes

Parents of young children whose home responsibilities prevent their coming to campus

Older citizens seeking the stimulation of new ideas

Handicapped and incapacitated students

Those who had not considered college or had previously determined that college was not for them

Regular students looking for room within the elastic walls of a television course when campus sections are closed

Teachers seeking to update or upgrade their skills

People who want to try college courses but not in public

Students geographically distant from centers of traditional instruction

For many people, a television course represents their first direct contact with a college. Satisfaction with and success in this initial experience, in the non-threatening privacy of their homes, often provides the impetus for further educational ventures. Frequently the opportunity to meet instructors, observe facilities, and learn of other related courses offered by the college results in students' registering for additional courses on campus.

Student Retention

Colleges find that the dropout rate for television courses is consistent with the dropout rate for on-campus classes. It is certainly subject to most of the same variables. The only difference is the number of students involved. With a 25 percent dropout rate, a campus course with an enrollment of 100 students would retain 75; in a telecourse registering 1,000, the survival list would number 750.

Research indicates that students who are involved in some form of interaction with the college generally tend to complete the course and achieve at a higher level than others who are not involved. Without question, the major factor in retention is the attention devoted to the course by the campus instructor:

The communication and encouragement offered to the students

The opportunities for input and participation by the students

The interest shown by the instructor in their success

Study Materials

Economics U\$A is designed as both a one-semester survey course or a two-semester macro- and microeconomics course. The one-semester course incorporates twenty-eight half-hour documentary television programs; a text, *Economics U\$A*, Seventh Edition, written by Edwin Mansfield and Nariman Behravesch and published by W. W. Norton & Company; Text Review Guide for *Economics U\$A*; Test-Item File for *Economics U\$A*; Computerized Test-Item File (on adoption only); Telecourse Study Guide for *Economics U\$A*, also published by W. W. Norton & Company; and this Faculty Manual.

Teachers can request preview copies of the textbook and study guide by sending a letter on their college letterhead to College Department, W. W. Norton & Company, 500 Fifth Avenue, New York, New York 10110 or by visiting the Web site www.wwnorton.com.

Students enrolled in the two-semester course are provided with additional Exploring Further sections in the *Economics U\$A* text, 28 half-hour audio modules, and an Extended Learning section in the study guide that includes the audio assignment, short-answer questions and problem sets, and an annotated bibliography of suggested readings. Any of these additional materials can be used as optional assignments for one-semester students, thus providing teachers with a flexible instructional package that will meet their own particular institutional and state requirements.

As the instructor for *Economics U\$A*, you may wish to require or recommend additional readings or projects (see section 3 for additional bibliographical references) or develop a learning kit that utilizes local community or state resources. As with classes on campus, it is important for you to notify the college bookstore of the material required for *Economics U\$A*, particularly if additional sources beyond the basic material will be involved. In most instances students should have the option to order and receive course materials by mail.

Examinations and Grading

The unfamiliarity of some of the television students with college practices places an extra responsibility on the campus instructor to explain clearly course expectations, requirements, and procedures.

The number and nature of examinations, and the method by which students are evaluated are entirely at the discretion of the campus instructor. As with any on-

campus class, he or she can best determine methods of evaluating student achievement in each class.

In the case of *Economics U\$A*, a test bank of questions is provided. As instructor for the course, you may elect to use the examination as is, modify it for local use, or disregard it altogether.

Students with a limited or distant background in mathematics may need some assistance in handling the graphs presented in *Economics U\$A*. Consider establishing a peer or professional tutorial center, if one does not already exist on your campus, with hours consistent with student work schedules. Develop a help line for students who can only communicate with their instructor by telephone. Because the lessons build on that which has been presented before, it is particularly important for students to clarify confusing points as they go rather than compound the difficulty. Encourage students to use the resources available!

Review sessions held several days prior to examinations can also be valuable for students not accustomed to typical college testing or for students long removed from an academic setting. These sessions can be organized on campus or at off-campus centers, for large or small groups, with voluntary or required attendance. The purpose of such opportunities is to allow students to ask questions about course content and examination procedures and to profit from the questions of others. If audio or video tapes of individual lesson segments are available, these too can be used prescriptively as a student discovers areas of weakness.

Administering the examination itself: It must be remembered that not all students enrolled can attend an on-campus examination scheduled at a particular hour. One arrangement practiced successfully by a number of colleges is to schedule two periods for testing (Friday evening and Sunday afternoon, for example). Some instructors also divide the two periods between two locations: one on-campus and one downtown in a public library or civic center, wherever it might be convenient for people to attend.

Often a college will require a student to show identification such as a driver's license before she or he receives an examination. Student or paraprofessional assistance in distributing and proctoring the examination is helpful, as is that same support in grading objective examinations and distribution of test results. If possible, where partial credit for problem sets is not involved, use test-score machines to score the midterm and final examinations. Giving test results to anxious students before they leave the examination site saves mailing time and avoids the frustration of a lengthy wait.

Consistent with on-campus classes, you may wish to offer alternatives to the formal examination: field projects, term papers, or directed research. You may even choose to devise evaluation alternatives for students with varied learning styles.

Support Services

Differences in class size and facilities influence the staffing and support colleges provide to telecourse instructors and telecourse students. Media centers at most

colleges can make audio or video recordings to assist students who miss a particular lesson or wish to review material.

The college library should be advised of materials students will need for the course. Whoever schedules classroom or other campus facilities will need to know of space and equipment needs for discussions and examinations on campus.

Students should also be given information regarding counseling and tutorial services, recreational opportunities, and other options available to students enrolled at the college.

PROMOTING *ECONOMICS U\$A* _____

In developing your college’s promotional strategy for *Economics U\$A*, a number of factors should be considered:

- **The purpose of the promotion**

Is your primary consideration the number of students you can attract to the course, or are you also interested in underscoring the responsiveness of your college or university to a national need? Your primary purpose will determine the slant of the promotional campaign.

- **The audience for *Economics U\$A***

Since the course can be used with a number of different audiences in the public and private sectors, and in a number of different settings, it will be important for you to concentrate your promotional efforts toward those segments of the population that need the course and have the ability to respond. In marketing terms, this positioning step is important.

- **The product itself**

Spend time familiarizing yourself with the content of the course, its instructional components, and the support your college provides for the telecourse student. Accent those course features and implementation strategies that will appeal to your intended audience. At the same time, be sure that your promotional campaign, in its totality, gives the students an accurate picture of the course and the time and effort necessary for a successful experience.

- **Media and promotional outlets**

The promotional media selected will depend on your intended audience, the resources available in your community, time, and money. The table below is a starting point for your planning.

Media	Use
<i>Class schedules/catalogs</i>	Special telecourse section (middle insert, back pages)
<i>Newspapers</i>	
Student/campus newspaper	Feature articles
Local newspaper with limited circulation	Listing in television log
Large metropolitan daily	Space ads

Television

Commercial television
Public television
Cable television

Public service announcements
Paid advertisement
Local talk shows
Preview week

Radio

Commercial radio
National public radio
Local college station

Public service announcements
Paid advertisement
Local talk shows

Magazines

Local edition of *TV Guide*
PBS station magazine
Cable magazine

Feature articles

Mailing targets

Corporate executives
Training directors
Personnel managers
 (of major businesses
 and industries in your area)
Employment counselors
 in your area
Public school districts
 (for use of course for
 teacher in-service or
 advanced placement)

Letters
Brochures
Enrollment information

Mass mailings

Direct mail advertisement
Enclosure in utility or
 cable television billings

Letters
Flyers

*Brochures, flyers, other
nonmailed materials*

Handouts
Pickups at checkout
 counters, local banks,
 local public libraries

*Posters in heavily
traveled areas*

Campus
Lunch room or bulletin
boards of local businesses
Store fronts
Mass transit areas

Personal presentations

Local service clubs
Local talk shows
Local businesses

Creative techniques

Discounts
Free set of textbooks
for 100th student enrolled

- **The budget**

The rationale for promotional expenditures can be based on several criteria: availability of funds, previous telecourse enrollments, and anticipated return on investment. The success of your promotional effort will depend less on how much you spend than on how well you target your expenditures.

- **The time frame**

Develop a time frame for your promotional effort that takes into consideration the preparation time necessary to create the materials, the lead time required for mailing or submission to media agencies (two to three weeks in most instances), the response time for potential students to request information and enroll, and the response time for colleges to distribute course information and materials.

Sample Press Release

Date _____

For further information contact:

Name _____

Telephone Number _____

FOR IMMEDIATE RELEASE

**KEY ECONOMISTS REVEAL INSIDE STORIES ON OUR
ECONOMY IN *ECONOMICS U\$A*, A PBS TELEVISION SERIES
AND COLLEGE COURSE**

The economy has become a household term in the United States. The trade deficit, the unemployment rate, deregulation, the rise and fall of interest rates, and health care are part of our daily news.

The study of economics can contribute to our understanding of the economy and how it affects our world. A new, definitive approach to the subject is *Economics U\$A*, a 28-part television course offered for credit by (*college name*) in cooperation with public station _____.

Economics U\$A begins airing on _____ at _____ and is open to on- or off-campus students who register at _____.

The unique format of the television course molds theory with journalism in documentary style, highlighted by interviews with key economists and leaders in the public and private sectors. They include Nobel Prize-winning economists Milton Friedman and Paul Samuelson and economic advisers John Kenneth Galbraith, Martin Feldstein, Walter Heller, Charles Schultze, Herbert Stein, and Robert Nathan. Former president of the World Bank, Barber Conable, Jr., also presents his economic outlook.

Award-winning journalist David Schoumacher is host of *Economics U\$A*. In each program, three case studies of major economic events since the turn of the century are presented as unfolding news stories. Schoumacher reports them, backed by news film footage and interviews.

Richard T. Gill, former professor of economics and assistant dean at Harvard University, follows each event with analysis. He provides insight in terms of relevant economic principles.

Economics U\$A is a core introductory-level college credit course on macro- and microeconomics. In addition to the video components, there are 28 audio cassettes that include additional interviews with economists, a text, and a study guide published by W. W. Norton & Company. The text *Economics U\$A*, Seventh Edition, is coauthored by Edwin Mansfield and Nariman Behravesch.

The macro sequence documents the evolution of economic theory, investigating the circular flow of GDP, the establishment of the Federal Reserve, and the emergence of a monetary policy. The micro segment examines the forces of supply and demand, and the efficiencies of a free market system as well as its failure to resolve problems of poverty and pollution.

The course was produced by the Educational Film Center of Annandale, Virginia, and the WEFA Group (Wharton Economic Forecasting Associates). Nariman Behravesch, currently chief international economist at Global Insight, was director of curriculum and course content. Lawrence Klein, 1980 Nobel laureate in economics and Benjamin Franklin Professor of economics at the University of Pennsylvania, was chair of the Board of Advisers for the course. The Telecourse Guide and the Faculty Manual were developed by the Southern California Consortium. The Telecourse Guide was revised by James Sondgeroth.

Economics U\$A was made possible by funding from the Annenberg/CPB Project. The project was created in 1981 to support programs using telecommunications technologies to enhance the quality and availability of higher education.

The television programs are closed-captioned for the hearing impaired.

Radio Spot Announcement Copy

Make economics an understandable part of your life. Enroll now in *Economics U\$A*, a college-credit telecourse, by calling (*telephone number*), that's (*telephone number*).

Earn your passport to the world of economics. Enroll in the college-credit telecourse *Economics U\$A*. For information, call (*telephone number*), that's (*telephone number*).

Get an education for life. Enroll now in *Economics U\$A*, a telecourse offered by (*college or university*) in cooperation with this station, beginning (*date*). Call (*telephone number*), that's (*telephone number*), for information.

Learn what economics means to you. Enroll now in *Economics U\$A*, a telecourse offered by (*college or university*), in cooperation with this station, beginning (*date*). Call (*telephone number*), that's (*telephone number*), for information.

Program Listings for TV Guides

Provide the following program listings to the programming manager of each of the television stations broadcasting *Economics USA*.

Program 1: Resources and Scarcity: What Is Economics All About?

Investigates how the United States has faced important economic trade-offs in areas of wilderness preservation, worker health protection, and war production.

Program 2: Markets and Prices: Do They Meet Our Needs?

An examination of the United States's free-market pricing system under the powerful forces of supply and demand.

Program 3: U.S. Economic Growth: What Is the Gross Domestic Product?

The real story behind the numbers. The birth of GDP. Its greatest achievement. Its most important failure.

Program 4: Booms and Busts: What Causes the Business Cycle?

Good times followed by bad times. The United States's roller-coaster economy is explained.

Program 5: John Maynard Keynes: What Did We Learn from the Great Depression?

An introduction to Keynesian economics and the secret to ending the Great Depression.

Program 6: Fiscal Policy: Can We Control the Economy?

An examination of government, taxing, and spending policies.

Program 7: Inflation: How Did the Spiral Begin?

Vietnam and the Great Society. Their impact on inflation and why it was so hard to control.

Program 8: The Banking System: Why Must It Be Protected?

An investigation of the significance and vulnerability of the United States's banking system.

Program 9: The Federal Reserve: Does Money Matter?

The rise of monetary policy. Government's second weapon in its arsenal of economic controls.

Program 10: Stagflation: Why Couldn't We Beat It?

Government's failure to beat the high unemployment and high inflation of the 1970s is revealed.

Program 11: Productivity: Can We Get More for Less?

The cause of the United States's great productivity slide is examined as well as the solutions suggested by supply-side economics.

Program 12: Federal Deficits: Can We Live with Them?

A revealing examination of the good, the bad, and the ugly sides of deficits.

Program 13: Monetary Policy: How Well Does It Work?

Case studies of three Federal Reserve chairs as they attempt to fight inflation and unemployment through the application of monetary policy.

Program 14: Stabilization Policy: Are We Still in Control?

Attempts to examine and assess, from different perspectives, the future of government's involvement in the economy.

Program 15: The Business Firm: Organization, Motivation, and Optimal Input Decisions

An investigation into the economic factors behind Coke's secret formula change and the phenomenal success of the *Asbury Park Press*.

Program 16: Supply and Demand: What Sets the Price?

The potent forces of supply and demand are revealed through the great California drought, the Arab oil embargo, and the designer jeans craze.

Program 17: Perfect Competition and Inelastic Demand: Can the Farmer Make a Profit?

The inside story of the United States's farm problem, from the 1920s to the 1980s.

Program 18: Economic Efficiency: What Price Controls?

A demonstration of the effects of wage, price, and rent controls in a free-market economy.

Program 19: Monopoly: Who's in Control?

The stories of Standard Oil, AT&T, and Kodak demonstrate the power and importance of monopolies.

Program 20: Oligopolies: Whatever Happened to Price Competition?

Investigates the ways and means of big business as it attempts to avoid price competition.

Program 21: Pollution: How Much Is a Clean Environment Worth?

An examination of the problems behind private industry and government's attempt to clean up the environment.

Program 22: Labor and Management: How Do They Come to Terms?

The change in labor movement relations from the turn of the century to the 1980s.

Program 23: Profits and Interest: Where Is the Best Return?

An investigation into how banks, big business, and little entrepreneurs act to maximize profit.

Program 24: Reducing Poverty: What Have We Done?

Investigates the Social Security, Family Assistance, and Job Corps programs.

Program 25: Economic Growth: Can We Keep Up the Pace?

The factors behind the United States's phenomenal economic growth.

Program 26: Public Goods and Responsibilities: How Far Should We Go?

The TVA, national health care, and California's tax revolt demonstrate the role of government in our lives.

Program 27: International Trade: For Whose Benefit?

Investigates the benefit of free trade to society in general, and the problems and justifications for trying to restrict international trade.

Program 28: Exchange Rates: What in the World Is a Dollar Worth?

The effect of fixed and floating exchange rates on the United States's domestic and international economy.

THE FACULTY ROLE _____

Although specific responsibilities for this instructional experience should be well defined and shared among administrators, public information specialists, media personnel, and other support personnel who may be available, the course instructor generally retains major responsibility for conducting the course on campus. To assist in this regard, the following suggestions are offered in the approximate order in which they can be used.

Adaptation of *Economics USA* for Local Use

Although the print, video, and audio elements of *Economics USA* have been subjected to a painstaking development process, each instructor will want to approach the course as he or she would an on-campus course—preparing general objectives, supplementary reading lists, and additional activities for the student populations he or she is teaching. How creative and imaginative the campus instructor is in using or adding to the basic elements will, to a large extent, determine whether students enjoy a meaningful learning experience.

Unlike the traditional class assignment, rooms for orientation, review, or examination sessions are **not** provided except by special arrangement—a detail that should not be overlooked. Consider the advantage of reserving rooms at off-campus locations more convenient for students or relevant to the subject being studied.

Communication with Students

In most surveys, students have identified communication with the campus instructor as the single most important factor in their successful completion of courses offered on television. Regardless of the excellence or the stimulation provided by carefully prepared video and print materials, the transformation of enrolled students from viewers to learners often depends on the professional expertise and concern communicated by the campus instructor.

For most students enrolled in television courses, written reports from the college will be their primary communication with the institution. Television provides an essentially intimate experience—someone speaking or seeming to speak directly to the viewer watching in the privacy of home. It is not a group experience, nor is it an impersonal feeling. In contrast to the usual bleak detachment of an institutional form letter, the instructor is encouraged to devise an informal style of correspondence with students, a style that is consistent with the one-to-one television contact and provides a note of personal interest.

The initial mailing to enrolled students is particularly important. Unless students receive prompt acknowledgment of their enrollment, they may not feel they have completed registration. Immediately on receipt of the registration form, the student

should be sent a letter from the campus instructor describing the course in greater detail. This letter should include:

- Textbook information—the essential role played by the textbook, its cost, and how it can be purchased (Include telephone-order information or a mail-order form if such service is available.)
- Sequence of lessons
- Broadcast schedule, including optional repeats and availability of review tapes on campus
- Scheduled times and location of course-related activities—discussion groups, study sessions, assigned laboratory experiences, tests, and examinations
- Course requirements and other general information
- Campus services available to students—library hours; media center, counseling, and tutorial opportunities; lab hours
- Name, telephone number, and office hours of campus instructor and other personnel assigned to the course, plus their physical location on campus

Be certain the student knows what is required. The fact that the course has reading assignments and problems to solve in addition to the television and audio programs is essential information for the student planning a weekly schedule.

Jean Chapman, an ecology instructor at Solano College in the Northern California Bay Area Consortium, talks about the importance of the written communication:

The written communication must stand alone. It is not a framework for class discussion or an expansion of some point of interest. It is the contact between instructor and student. Therefore, its format and layout require considerable skill beyond that which functions well enough in the classroom. Much of the layout is a skill which is available only through audio-visual personnel and the typing must be first quality—the advanced hunt-and-peck approach on any typewriter available is not adequate for a class with three hundred or four hundred off-campus students. At the first twinge of confusion, each of them either calls the school (loading the switchboard and the department where the course is offered) or decides to forget the whole thing.

Another instructor also speaks from experience:

I thought I'd covered all the bases with regard to the date and place of the midterm exam: the date, room, building, college. But

*then I got two or three phone calls from students in our district:
“Where is the college?” I quickly got out a map!*

Some students, previously or concurrently enrolled in classes offered on campus, have reported the unexpected pleasure of enjoying even closer contact with their television campus instructor than they experience in other courses. “My instructor called to ask how the course was coming along and if I was having any difficulty. That never happened before,” reported one student. An instructor at Los Angeles City College who attempted to telephone 220 students during evening hours the first three weeks of the course got through to nearly 150 of the students on the first call. With a large enrollment an instructor may want to call students at random or utilize paraprofessional staff for student contact.

Providing Study Aids

Without the motivational encouragement of weekly contact with teacher and classroom, it is easy for students to slip behind in their reading or studying. Experience has shown that almost any form of communication between the instructor and the student can provide the impetus for continued student concern and effort. Even an occasional postcard can represent personal interest and encourage students to seek help if they are having difficulty. One college discovered that a sample of students who received a weekly postcard survey asking for their opinion of the television programs performed better than students not surveyed.

Ideally, the student should have some kind of problem assignment, graded or nongraded quiz, or other form of feedback each week—reassurance that she or he is heading in the right direction. Such feedback also guards against acute midterm shock for the student whose study habits have not been adequate or consistent.

Instructors without facilities or staff to correct large numbers of weekly quizzes might consider the following options:

Mail a diagnostic quiz to students at regular intervals, four to six times during the life of the course. Score the quizzes at the college. By telephone or postcard, report results to students including prescriptive study suggestions. (Studies have indicated at least a 10 percent increase in retention through the use of this technique.)

Send students a series of problem sets or quizzes with answers in a separate envelope to be opened after completing the assignment or taking the test.

Since the purpose is to encourage learning rather than to test knowledge, the absence of normal examination conditions is not important. Whatever the form, the more contact with students, the greater the likelihood of their persistence and success in the course.

Seminars and Support Services

Opinion is rather strongly divided on the advantages and disadvantages of scheduling meetings of the class, either on campus or in any other specific location. The major reason for arranging such meetings is the desirability of having the student make direct contact with the instructor rather than relying on the post office as an intermediary. Scheduling at least one such class meeting at the beginning of the course to explain the entire procedure is highly recommended. It is helpful for individuals enrolled in the course to meet not only the instructor but also other members of the department or administrative staff who share an interest in this project and in the students' success. More than one time and one place should be reserved for this session to enable students with varied schedules and commitments to attend.

In addition to this orientation meeting, providing further opportunities for student-teacher contact is helpful. Students may profit from group discussion of material that is being televised. Instructors may wish to explain, update, or augment that which was presented in the television lesson. Additional films or videotapes, demonstrations, field trips, a lab component—all would add to the value of the course for those who could participate.

Also important to the success of the format is the fact that student attendance on campus should not be required any more than is absolutely necessary if courses are to reach the new student audiences for whom they are particularly suited—homebound, employed, handicapped, and geographically isolated individuals. A great many people have enrolled in television courses because they cannot attend classes on campus. For these students, a requirement that they attend numerous meetings entirely defeats the purpose of televising lessons to their homes.

These diverse considerations may be met with a little ingenuity. Holding seminars in off-campus centers is one possibility. Discussion groups could be scheduled wherever twenty to forty students could easily meet—in a large business firm during lunch hour or after work, a community school or community center, a church building, or even students' homes. Faculty members or student discussion leaders could be assigned to each group.

Another successful alternative has been to offer television students a choice. They can receive credit for the course with minimal visits to campus if that best satisfies their situation or preference, or they can receive additional credit if they participate in scheduled activities. As an example, some colleges may offer *Economics USA* students the opportunity to enroll in a discussion section for an additional unit of credit. This arrangement does not exclude anyone, yet it offers additional opportunities for students who are able to take part.

Other communication techniques devised to reach students at a distance can enrich and personalize the core learning experiences provided by the telecourse. One option is for instructors at colleges with cable-access channels or radio stations on campus to spend a brief period each week reviewing the material that has been televised, adding personal observations, discussing concepts with invited guests (including students),

and encouraging students to telephone their questions in while the review program is on the air.

One instructor, describing her experience with radio, commented:

Student reaction was very positive—many told me how much it helped them. After the first two 15-minute broadcasts, I stopped just summarizing the television lesson, and instead stressed only the main points, adding comments of my own. Dubs of the audio tapes used for the radio broadcast can be used in the campus learning center for review.

Some colleges use the local newspaper as a communication vehicle. Weekly columns are written by the campus instructor in response to student and public questions submitted by mail or telephone. The interest of your local newspapers in a similar venture would, of course, be contingent upon the general appeal of the column.

With the emergence and extension of computer networks that link instructors and students, the opportunities for communication and interaction are extended even further. You may want to consider creating a Web site for your course.

Working with *Economics U\$A*

To be aware of the content included in the *Economics U\$A* series, it is important for the campus instructor to watch all of the television segments, listen to the audio, and read the coordinated textbook assignments. Additional explanatory material or further discussion can be provided through correspondence or class meetings.

Arrangements should be made with campus media services to record lessons for review purposes. These lessons can be made available to students on campus at the library/learning center or in the community at neighborhood centers, libraries, or large industrial centers. Master sets of cassettes can also be obtained from Annenberg/CPB Multimedia in 3/4- or 1/2-inch formats. For price information, call the Annenberg/CPB Project at its toll-free number, 1-800-LEARNER, or you can request information by writing to Annenberg/CPB Multimedia at P.O. Box 2345, South Burlington, VT 05407-2345, or visiting the Web site www.LEARNER.org.

Enrichment Activities

Voluntary field trips, extra assignments, or additional readings often provide learning dividends far beyond the required investment of a student's time. An instructor can select what he or she wishes students to read, choose field activities that are appropriate, even offer the course through several different sections. All activities should be viewed in the context of the total program requirements and the level at which the course is being offered.

The existing components of *Economics U\$A* require a substantial amount of work on the part of the students, whether they are taking the course to fulfill general education requirements or taking it as part of their major.

ABOUT THE COURSE

Economics U\$A, a 28-lesson television course, represents a breakthrough in the teaching of the introductory course. It is the first principles of economics package to integrate a successful text with exciting network-quality television programs, audio cassettes, and study guides. *Economics U\$A* can at once *motivate* students, *explain* economic principles, and *reinforce* basic ideas.

Americans are becoming more and more aware of the economic events and decisions that influence their lives, but few have more than a nodding acquaintance with the underlying theories and principles that help to explain economic trends. Basic concepts such as fiscal policy, deregulation, and the balance of trade punctuate the evening news and financial headlines but have little real meaning for the layperson attempting to unravel the day's events.

There is a real need for economic literacy—for credit courses in both two- and four-year colleges and for noncredit or general adult education. *Economics U\$A* can help meet that need. It enables students and general viewers alike to learn the principles of economics through absorbing examinations of recent historic events interpreted by prominent economists and leaders in the public and private sectors.

Designed by some of the nation's most-respected economists and evaluated by instructors at both two- and four-year institutions, *Economics U\$A* provides:

A viable learning alternative for students who cannot participate in on-campus programs and for institutions dedicated to providing high-quality education to all who reside in the learning community

An effective teaching option for colleges that face a scarcity of trained basic-level economics instructors

An opportunity for independent study, addressing the problem of oversubscribed classes

Introducing *Economics U\$A*

As a television course, *Economics U\$A* takes a major step toward improving the economic literacy of our citizens. Although other documentary television series have provided a broad interdisciplinary view or a highly specialized analysis of economics, *Economics U\$A* is the first to integrate television, audio, and print in a substantive 28-part introductory course for a college audience. It is designed for use as either a two-semester course in macro and micro principles or a one-semester survey course.

Description of Course Materials

Economics U\$A is designed as both a one-semester survey course and a two-semester macro- and microeconomics course. The one-semester course incorporates 28 half-hour documentary television programs; the text, *Economics U\$A*, Seventh Edition, written by Edwin Mansfield and Nariman Behravesch and published by W. W. Norton & Company; Text Review Guide for *Economics U\$A*; Test Item File for *Economics U\$A*; Computer Test Item File (upon adoption only); Telecourse Study Guide for *Economics U\$A*, and this Faculty Manual.

Students enrolled in the two-semester course are provided with additional Exploring Further sections in the *Economics U\$A* text, 28 half-hour audio modules, and an Extended Learning section in the Telecourse Study Guide that includes the audio assignment, short-answer questions and problem sets, and an annotated bibliography of suggested readings. Any of these additional materials can be used as optional assignments for one-semester students, thus providing teachers with a flexible instructional package that will meet their own particular institutional and state requirements.

The goal of this 28-lesson series is to reinforce several continuing themes:

The economy is part of our everyday lives.

We are influenced significantly by our own and others' economic decisions.

Economic principles help explain both day-to-day occurrences and significant historical events.

Television Programs

Economics U\$A premiered on PBS in fall 1986. Its 28 half-hour television programs bring economic concepts to life through the journalistic coverage of such stories as the establishment of the Federal Reserve, the breakup of AT&T, and the deregulation of the airline industry.

David Schoumacher, former CBS and ABC network correspondent, is the investigative reporter who introduces viewers to the faces and facts behind economic events. In each segment he explores the causes and effects of three different major economic events of the twentieth century by interviewing prominent economists and leaders in the public and private sectors who "were there." Among these are Paul Samuelson, John Kenneth Galbraith, Milton Friedman, Alice Rivlin, Robert L. Heilbroner, Alfred Kahn, Herbert Stein, and Walter Heller. In investigative documentary style, Schoumacher enlivens each show with archival and contemporary footage, newspaper photographs and headlines, graphics, animation, and radio recordings.

In each program Richard Gill, noted economist and former professor of economics at Harvard University, analyzes the principles that underlie each of the three economic events. Dr. Gill's explanations, enhanced by clearly presented charts and graphs, are cogent and easily accessible to students with no training in economics.

Together Schoumacher and Gill reveal the basic concepts behind the great economic stories of our time. As a team they provide scholarship, insight, depth, and clarity. They combine scholarship and journalism at its best.

Text

The text *Economics USA* is a collaborative work written by Edwin Mansfield, former professor of economics and director of the Center for Economics and Technology at the University of Pennsylvania, and Nariman Behraves, chief international economist at Global Insight, and is published by W. W. Norton & Company. It is adapted from Mansfield's text *Economics*, long one of the most successful texts in the introductory course.

The book's 28 chapters are carefully integrated with the 28 television programs to explain fully the principles illustrated in the videos. Each chapter contains one or more case studies based on a story in the corresponding television program. Chapters also include learning objectives, summary sections, large and easy-to-read graphs, and illustrations selected from the television shows. Special assignments called Exploring Further are provided for students enrolled in a two-semester course.

The text can serve in either a television-based course or an on-campus lecture course.

Text Review Guide

The guide, by Deborah Paige, features study materials for students in traditional lecture courses and includes over 1,000 objective and discussion questions. Designed to accompany *Economics USA* in lecture courses, the Text Review Guide provides students with a full array of questions and problems (answers are provided) to test and reinforce their knowledge. Each of the guide's 28 chapters includes: a chapter profile that briefly surveys the lesson, a "concepts for review" section, completion questions to sharpen students' grasp of basic concepts, true-false and multiple-choice questions suitable for self-tests, discussion and extension questions that require students to put their knowledge to work, and problems that simulate real-world situations and require students to work with actual data.

Audio Modules

The 28 half-hour audio modules are designed to provide greater depth and detail for students enrolled in the two-semester principles of economics course. Each of the audio modules includes expanded interviews with economists who appear in the corresponding television program, and additional commentary and analysis that reinforce understanding.

These audio modules enable students to review the major points presented in the television programs and text and to delve deeper into the theory of economics. The institutions that license the macroeconomics and/or the microeconomics course(s) will receive, free of charge, a set of audio cassettes with permission to duplicate them for

use by their students. Additional sets of the audio cassettes may also be purchased. Call 1-800-LEARNER for more information.

Telecourse Study Guide

This guide for students taking the television course for credit gives students a detailed road map to the course, provides a strong link between television and text, and helps strengthen their analytical skills. In each lesson, learning objectives, key terms, and a detailed lesson summary alert students to what they should remember as they watch and read. Brief essay questions on the video and an objective self-quiz (both with answers) help students evaluate their success.

For students enrolled in the two-semester course, an Extended Learning section provides an audio assignment, more-detailed short-answer questions and problem sets, and an annotated guide to further reading.

The Telecourse Study Guide was developed by the Southern California Consortium in collaboration with Nariman Behravesch and the project team. Four economics instructors with teaching experience at two- and four-year colleges collaborated with Nariman Behravesch to create the guide: Robert Augur of Pasadena City College, Ralph Lewis of Orange Coast College, Sol Kaufler of Pierce College, and James Phillips of Cypress College. James Sondgeroth has revised and updated the guide for the current edition.

The Faculty Manual

Just as the Telecourse Study Guide provides a road map for students, the Faculty Manual is a resource for instructors. It suggests how to plan and organize a one- or two-semester television course and how to promote it in the community. It explores the role of the television-course faculty and provides background information, lesson-by-lesson details, and an annotated bibliography.

One copy of the Faculty Manual is provided to each institution licensing the television course.

Course Organization

The organizational format of *Economics U\$A* establishes a coherent yet flexible approach to the teaching of economic principles.

The two-part introductory sequence (lessons 1 and 2 listed below) can precede either macro- or microeconomic topics. The 12-part macroeconomics sequence (lessons 3 through 14 in the list) and the 12-part microeconomics sequence (lessons 15 through 26) should be presented in the order listed. Each program in the two sequences builds on concepts presented in previous programs. Finally, the 2-part sequence, international economics (lessons 27 and 28), can follow either the macro- or microeconomics units.

The following subjects are covered in the 28 text chapters, the 28 television programs, and the 28 audio modules, each 30 minutes in length:

Video and Audio Programs

Introduction

1. Resources and Scarcity: What Is Economics All About?
2. Markets and Prices: Do They Meet Our Needs?

Macroeconomics

3. U.S. Economic Growth: What Is the Gross Domestic Product?
4. Booms and Busts: What Causes the Business Cycle?
5. John Maynard Keynes: What Did We Learn from the Great Depression?
6. Fiscal Policy: Can We Control the Economy?
7. Inflation: How Did the Spiral Begin?

8. The Banking System: Why Must It Be Protected?
9. The Federal Reserve: Does Money Matter?
10. Stagflation: Why Couldn't We Beat It?
11. Productivity: Can We Get More for Less?
12. Federal Deficits: Can We Live with Them?
13. Monetary Policy: How Well Does It Work?
14. Stabilization Policy: Are We Still in Control?

Text Chapters

Introduction to Economics

1. What Is Economics?
2. Markets and Prices

National Income and Output

3. National Income and Product
4. Business Fluctuations and Unemployment
5. The Determination of National Output and the Keynesian Multiplier
6. Fiscal Policy and National Output
7. Inflation

Money, Banking, and Stabilization Policy

8. Money and the Banking System
9. The Federal Reserve and Monetary Policy
10. Supply Shocks and Inflation
11. Productivity, Growth, and Technology Policy
12. Surpluses, Deficits, Public Debt, and the Federal Budget
13. Monetary Policy, Interest Rates, and Economic Activity
14. Controversies over Stabilization Policy

Microeconomics

15. The Business Firm:
Organization, Motivation, and
Optimal Input Decisions
16. Supply and Demand: What Sets
the Price?
17. Perfect Competition and
Inelastic Demand: Can the Farmer
Make a Profit?
18. Economic Efficiency: What
Price Controls?
19. Monopoly: Who's in Control?
20. Oligopolies: Whatever
Happened to Price Competition?
21. Pollution: How Much Is a Clean
Environment Worth?

22. Labor and Management: How
Do They Come to Terms?
23. Profits and Interest: Where
Is the Best Return?
24. Reducing Poverty: What
Have We Done?

25. Economic Growth: Can We
Keep Up the Pace?
26. Public Goods and
Responsibilities: How Far
Should We Go?
27. International Trade: For Whose
Benefit?
28. Exchange Rates: What in the
World Is a Dollar Worth?

*Economic Decision Making: The Firm,
the Consumer, and Society*

15. The Business Firm:
Organization, Motivation, and
Optimal Input Decisions
16. Getting behind the Demand
and Supply Curves
17. Market Demand and Price
Elasticity
18. Economic Efficiency, Market
Supply, and Perfect
Competition
19. Monopoly and Its Regulation
20. Monopolistic Competition,
Oligopoly, and Antitrust Policy
21. Pollution and the Environment

The Distribution of Income

22. The Supply and Demand for
Labor
23. Interest, Rent, and Profit
24. Poverty, Income Inequality, and
Discrimination

*Growth, the Government, and
International Economics*

25. Economic Growth
26. Public Goods and the Role of
the Government
27. International Trade
28. Exchange Rates and the
Balance of Payments

Sample Course Outline

Date _____

Division _____

Instructor _____

I. COURSE	_____	_____	_____
	Name	Number	Units
	<i>ECONOMICS U\$A</i>		

II. CATALOG DESCRIPTION

Prerequisite: None

A two-semester introductory course in macroeconomics and microeconomics that introduces students to the concepts and tools of economic analysis, including inflation, unemployment, balance of payments, domestic income, determinants of the level of economic activity, money and banking, the role of government (macroeconomics); and prices and output, monopoly and competition, wages and profits, international trade, and effects of tariffs (microeconomics). Can also be used as a one-semester survey course.

III. TIME ALLOCATION

	Hours/Week	
Lecture	_____	
Lab	_____	
Demonstration	_____	
Other (specify)	_____	28 half-hour television programs; 28 half-hour audio programs (optional for the one-semester student)

IV. COURSE GOALS

To reinforce three continuing themes:

- The economy is part of our everyday lives.
- We are influenced significantly by our own and others' economic decisions.
- Economic principles help explain both day-to-day occurrences and significant historical events.

V. PURPOSE OF THE COURSE

General education	<u>X</u>	Remedial	—
Teacher education	<u>X</u>	Community service	<u>X</u>
Adult education	<u>X</u>	Occupational	<u>X</u>
Transfer	<u>X</u>		

VI. LEARNING STRATEGIES OR TEACHING METHODS

- Lecture
- Audio tutorial laboratory
- X Audio and/or visual tutorial segments available in media center or classroom
- Team teaching
- X Other (specify) Open- or closed-circuit television/study guide/text

VII. REQUIRED COURSE MATERIALS

Text: *Economics USA*, 7th ed., by Edwin Mansfield and Nariman Behraves (New York: W. W. Norton & Company, 2005).

Study Guide: Study Guide for *Economics USA*, 7th ed. (New York: W. W. Norton & Company, 2005).

Course Developers

The Educational Film Center

The Educational Film Center has for thirty years been responsible for the successful management of over three hundred media projects, including the production of over five hundred television programs, interactive multimedia, and Web design for international broadcast, cable, schools, libraries, and the home video market.

Among its major works are the telecourses *Economics USA*, *The World of Chemistry*, *Inside the Global Economy*, *Exploring the World of Music*, and the professional development course *In Search of the Novel*. The primetime specials by the Educational Film Center for PBS include *The Marshall Plan* with Roger Mudd; *One Woman*, *One Vote* with Susan Sarandon; *The Odyssey of John Dos Passos* with Robert McNeil and William Hurt; and the feature-length documentary biography *Harry Hopkins: At FDR's Side* with Walter Conkrite.

Key Personnel

Stephen L. Rabin, Project Director. Stephen Rabin, president of the Educational Film Center since 1983, serves as the overall manager for development and production of all Educational Film Center programming. Before joining the center in 1982, Mr. Rabin was director of public programs and the first director of the Media Program at the National Endowment for the Humanities, where he was directly responsible for over \$66 million in national television and radio production grants and more than five hundred hours of prime-time programming over a period of eight and one-half years. He has been associated with public television since 1962, beginning at WNDT (now WNET) in New York, in various production capacities, including producer of the Emmy-nominated national series on the fine and performing arts, *Critique*. In 1969, he joined the Eastern Educational Television Network as director of programming and executive producer of special projects for the 32-station system.

Nariman Behraves, Director of Academic Content. Nariman Behraves is chief international economist at Global Insight. He was formerly chair of Oxford Economics USA and senior vice president of Worldwide Macroeconomic Services at the WEFA group. Before joining Wharton, Dr. Behraves was a principle analyst in the Fiscal Analysis Division of the Congressional Budget Office and senior economist in the research department of the Federal Reserve Bank of Philadelphia. He has taught graduate and undergraduate courses in public policy, econometrics, and macroeconomics at the University of Pennsylvania, George Washington University, and Bryn Mawr and Haverford Colleges. Dr. Behraves has a bachelor's degree in economics from the Massachusetts Institute of Technology and a doctorate in economics from the University of Pennsylvania.

Ira H. Klugerman, Executive Producer. Ira Klugerman is vice president for production of the Educational Film Center and has been associated with the center since 1972 in the capacity of executive producer/director. He is presently executive producer for the two-hour prime-time special for PBS *The Life and Death of the Federal Theatre* and

the one-hour special *The History of Social Work in America*. Mr. Klugerman was executive producer for *In Search of the Novel* and the telecourses *Economics U\$A*, *Inside the Global Economy*, and *Exploring the World of Music*; production executive for *The World of Chemistry*; and executive producer for the dramatic special *Traitor in My House*. Formerly, he served as executive producer for *The Odyssey of John Dos Passos*, *The Marshall Plan*, *Harry Hopkins*, and the historical drama for NBC *Out of Time*.

Sally Beaty, Study Guide and Faculty Manual Development. Sally Beaty serves as president of Intelcom (formerly the Southern California Consortium), one of the largest college television consortia in the United States, providing leadership for the production of internationally distributed telecourses and the broadcast of thirty or more college-credit courses each year over a dozen commercial and public television stations in the Southern California area. Ms. Beaty has extensive experience in the broadcast industry as an Emmy award-winning writer, producer, and on-air host. She has a bachelor's degree in education from Jacksonville University and a master's degree in radio, television, and film from the University of Kansas.

Richard Gill, Television Economist. Richard Gill, the resident economist for each of the 28 programs in the *Economics U\$A* series, received his A.B. degree in economics from Harvard College in 1948. He studied philosophy at Oxford University before returning to Harvard for his Ph.D. in economics in 1956.

Advisers

Advisers to the *Economics U\$A* Project were selected with three specific objectives in mind. First, panel members included nationally renowned academic economists. Second, each of the advisers has a strong commitment to college education of the highest caliber. Finally, the panel represents a broad spectrum of educational institutions, including four-year colleges, community colleges, and extension programs.

Advisory Panel

Lawrence R. Klein (Chair). Benjamin Franklin professor of economics, University of Pennsylvania; 1980 Nobel laureate.

Richard K. Greenfield. Former chancellor, St. Louis Community College.

Barbara B. Reagan. Department of Economics, Southern Methodist University.

Bernie Saffran. Department of Economics, Swarthmore College.

Mary L. Walshok. Dean, University Extension, University of California, San Diego.

Content Design Team

Allston Burr. Senior tutor of Leverett House.

Richard T. Gill. Former assistant dean, Harvard University.

Herbert S. Levine. Department of Economics, University of Pennsylvania.

David Streifford. Department of Economics, St. Louis Community College.

Instructional Design Team

Sally V. Beaty. President, Intelcom.

Jackie Beulick. Coordinator of television activities, St. Louis Community College.

Nancy Miller. Former interim director of educational resources, Dallas County Community College District.

Individual Lesson Descriptions

Lesson 1: Resources and Scarcity: What Is Economics All About?

Overview

In many ways, economics is management. Like any form of management, it involves decision making. In this case, the primary decisions we make concern the kinds of goods and services we want to produce, the sorts of resources we're willing to commit to producing them, and the ways in which we want the resulting products and services distributed.

In order to make these choices wisely, we should recognize that:

- Most of our resources are limited.
- Production of every good or service has a price. When production of one goes up, production of something else must go down.
- We have some strategies within our grasp (e.g., improved technology) for increasing our efficiency, production, and per capita income.

The decisions we make rest on both facts and values. Though we cannot all expect to share common values, we can share a fundamental understanding of how economic variables interrelate. It helps to have the facts: figures relating to unemployment, poverty rates, interest rates, and inflation levels. It also helps to have some insight regarding the ways economists use economic models to attempt to predict the most probable economic scenarios for our future. Given such information, we are better able to recognize the consequences of our decisions and to make choices that will benefit not only ourselves individually but our society as a whole.

Key Concepts

The amount of goods and services available for consumption in an economy depends on the quality and quantity of the economy's productive resources, how well those resources are used, and whether all resources can be kept employed.

Productive resources are land, labor, machinery, structures, and technical and managerial knowledge of various types and qualities. These resources are called *scarce* resources because there are not enough available to produce everything that everybody wants.

There are four basic economic questions:

- What will be produced
- How will it be produced?
- How will it be distributed?
- How is the growth rate for the economy determined?

Discussion and illustration of these issues will help students see the relevance of economics.

The cost to society of shifting productive resources into the production of a certain good is the value of the goods that those resources could have otherwise produced.

Illustrative Events

The debate over preservation or development of the wilderness is portrayed in the battle over the Alaska Land Act of 1980, with Representative Morris Udall supporting the bill and Representative Don Young of Alaska opposing it.

How we mobilized the idle human and material resources during World War II is made vivid through historical footage and discussions with Robert Nathan, then chair of the War Production Board.

Worker health versus cost of compliance is demonstrated through the ongoing conflict between the textile industry and OSHA, which was seeking to reduce the incidence of brown lung disease.

Text Assignment

Introduction, “Economic Problems: A Sampler,” and Chapter 1, “What Is Economics?”

Bibliography of Additional Readings

Gregory, Paul R., and Robert C. Stuart. *Soviet Economic Structure and Performance*. 3d ed. New York: Harper & Row, 1986.

Pages 385–99 of Chapter 11, “Soviet Economic Growth and Performance,” assess the ability of the former Soviet economy to use its resources efficiently. The concept of the production possibilities curve is used. No mathematics, simple graphs.

Heilbroner, Robert L., and Lester C. Thurow. *The Economic Problem*. 7th ed. Englewood Cliffs, N.J.: Prentice-Hall, 1984.

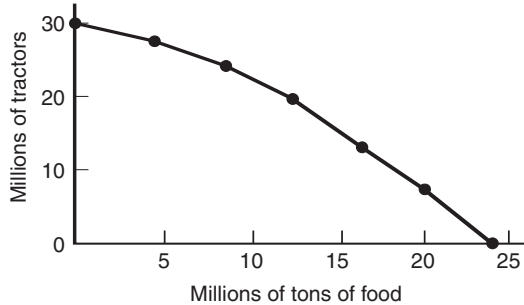
Chapter 24, “Supply of Output,” discusses the production possibilities curve and the factors that push out the curve in a growing economy. No mathematics, simple graphs.

Stiglitz, Joseph and Carl E. Walsh. *Economics*. 3rd ed. New York: W. W. Norton & Company, 2002.

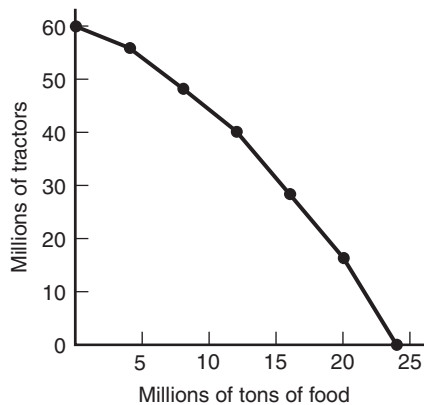
Chapter 2, “Thinking Like an Economist,” describes the production possibilities curve. Simple mathematics and graphs.

Answers to Problems and Questions

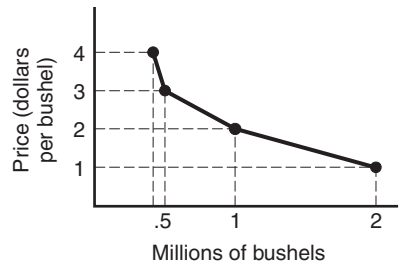
1. (a) No.
(b) Yes.
(c) The combination of 20 million tons of food and 6 million tractors is inside the curve. Factors that might lead to production inside the curve include unemployment, inefficiency, or bad weather.
2. The production possibilities curve cuts the horizontal axis at 24 million tons and the vertical axis at 30 million tractors.



3. Yes. The horizontal intersection is 24 million tons, and the vertical intersection is 60 million tractors.

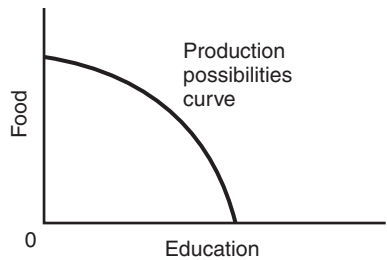


4. 2 million bushels generate \$2 million; 1 million bushels generate \$2 million. No, I would produce 1 million bushels since I can sell them for as much as I can sell 2 million bushels for.
5. Inverse. Quantity demanded: (a) 1.5 million, (b) 0.75 million, (c) 0.45 million bushels.



Answers to Viewpoint for Analysis

(a)



- (b) No. It can only tell us the trade-offs possible between the production of food and the production of education. A particular point could be evaluated as to the level of education available to each individual provided guidelines were given as to how education could be made accessible to individuals.
- (c) The production possibilities curve can indicate the rate at which food production would decrease as more resources were devoted to education, but it cannot predict the ultimate costs to society. A more-educated population may devise better methods of food production and thus shift the entire curve in a favorable direction.

Lesson 2: Markets and Prices: Do They Meet Our Needs?

Overview

In a market economy like ours, the price system is very powerful. To a great extent, it fulfills the basic economic functions, determining what we produce and how, as well as how many of these various goods and services each of us is able to enjoy.

The relationship between firms and consumers is a complex one. In many ways, we as consumers are able to control the various markets, making our demands known by what we buy or ignore. At the same time, the value of our own resources—including the skills we have to sell as workers—is determined by the price system. In a complicated and fascinating way, we design our own economic fates, in part, by our very buying habits.

Powerful though the price system may be, it cannot resolve all our economic ills. Those with limited resources (whether money or skills) share few of the benefits of production. Others, through taxes, may fund a disproportionate share of public goods—those provided through government for all to use. And because of external economies and diseconomies, firms do not always realize profits proportionate to their investment of resources or their care in using resources wisely. Economists generally agree, therefore, that the price system cannot simply be left to its own devices. It must often be aided by government to ensure more equitable distribution of income and more judicious employment of resources. The specific ways in which government can and should intervene will be subjects for future chapters.

Key Concepts

The meeting of buyers and sellers in a market can be represented by supply and demand curves. The curves show what sellers/buyers are willing to sell/buy at various prices. In a perfectly operating market the intersection of the supply and demand curves will be the point at which buyers and sellers agree on the price and quantity. This point of intersection will determine the equilibrium price and quantity of the good.

Goods are produced by using resources such as labor, machinery, and materials. The prices of these resources are set by supply and demand in a free market, and the producer is forced by competitive pressures to choose the method of production that is least costly.

Consumers reveal the extent to which they want a good by the way they spend their money. If a great deal of money is being spent on a certain good, producers will try to make more of that good. If consumers change the way they spend their money, producers will respond.

There is a difference between *need* and *effective demand*. The market system only responds to those who have money to spend. The poor have the need for

many goods that the free-market system will not provide for them, because the market system only responds to needs for which people spend money.

Illustrative Events

The creation and successful development of Levittown, an example of how the huge postwar demand for low-cost housing was fulfilled; featuring William J. Levitt.

The rise of minimills in the face of foreign competition and hard times for United States's giant steel industry; featuring steel executive Kenneth Iverson.

The signing of superstar Reggie Jackson by the New York Yankees and the business judgments that led George Steinbrenner to pay Jackson half a million dollars per year; featuring Bowie Kuhn, former commissioner of baseball.

Text Assignment

Chapter 2, "Markets and Prices."

Bibliography of Additional Readings

Barnett, Donald F., and Louis Schorsch. *Steel: Upheaval in a Basic Industry*. Cambridge, Mass.: Ballinger Publishing Company, 1983.

Details the decline of the integrated steel mills and the competitive challenge of the minimills. No mathematics, simple graphs.

Klein, Phillip A. *The Management of Market-Oriented Economics: A Comparative Perspective*. Belmont, Calif.: Wadsworth Publishing Company, 1973.

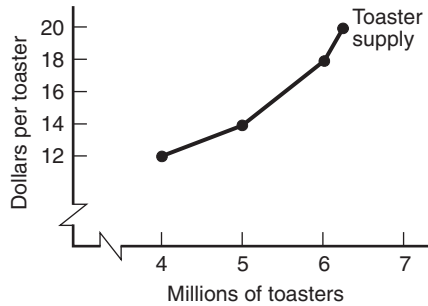
Chapters 1 and 2 illustrate the way a market-oriented economy works by contrasting it with socialist and centrally planned economies. No mathematics or graphs.

Rottenberg, Simon. "The Baseball Players' Labor Market." *Journal of Political Economy* (June 1956): 242–58.

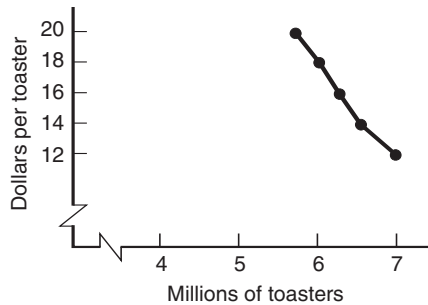
An economic analysis of the effects of the monopsony power of the baseball league over the players prior to the weakening of that power in the 1970s. Technical, but no mathematics or graphs.

Answers to Problems and Questions

1. There is a direct relationship. Supply curves are generally direct relationships.



2. At a price of \$14, quantity demanded (6.5 million) exceeds quantity supplied (5.0 million) by 1.5 million toasters. If the price is \$20, quantity demanded (5.8 million) is less than quantity supplied (6.3 million) by 0.5 million. The equilibrium price and quantity are \$18 and 6 million toasters.



3. No, quantity demanded will exceed quantity supplied. Black markets and queues may arise. If black markets develop, the price may rise above the official \$14 price. Such a ceiling might be introduced as part of an anti-inflationary program or to help the poor.
4. A \$20 price floor creates excess supply. The government must buy all the excess toasters at the floor price to make the floor effective. Otherwise the price floor will not hold because sellers will offer discounts to get rid of the toasters. Such a price floor might be introduced if, for some reason, the government wanted to bolster the incomes of toaster producers or to reduce the consumption of toasters.

Answers to Viewpoint for Analysis

- (a) Yes. The demand curve for lawyers is determined by the price of providing legal services, the prices of other related services, income, population, and preferences for legal services. The supply curve for lawyers depends on the cost of producing

lawyers, the technology involved in producing lawyers, and the cost of inputs used to produce lawyers.

- (b) No. If there were an oversupply of lawyers and the market for lawyers were perfectly competitive, the market price for lawyers would decrease until the oversupply of lawyers was eliminated.
- (c) No, but it would affect the supply curve for lawyers. There would be two effects on the supply curve: The supply curve would shift out to reflect people entering the law profession in order to receive the payment, and the supply curve would shift in as some lawyers took the payment and left the profession. The overall effect on the supply curve would depend on which of these two effects was stronger.

CROSS CHAPTER CASE: PART 1**The Key Role of Saving and Investment in Raising Per Capita Income***Answers*

1. Major improvements in technology did have an effect on the production possibilities curve since they allowed more to be produced with existing resources.
2. These inventions which improve overall productivity moved the production possibilities curve to the right (see Figure 1.5).
3. These inventions produced more per capita and so everyone was better off. Increases in the amount of capital were also important because they were essential for future increases in productive capacity.
4. One way for a country to produce more and to improve its living standards (i.e., to push out its production possibility frontier) is to devote more of its resources to the production of capital goods (see Figure 1.6). Capital goods consist of plants and equipment that are used to make other goods. New inventions and technologies are only of limited usefulness unless a country is willing to allocate substantial amounts of its resources to build and buy capital goods that embody these innovations.
5. After World War II, the Japanese did not invent lots of new techniques. Instead they borrowed existing technologies from the United States and Europe and combined them with high saving and investment rates to push out their production possibilities frontier.