

CONTENTS

Preface xxxi

CHAPTER 1 The Big Ideas..... 1

Big Idea One: Incentives Matter 2

Big Idea Two: Good Institutions Align Self-Interest with the Social Interest 2

Big Idea Three: Trade-offs Are Everywhere 3
Opportunity Cost 4

Big Idea Four: Thinking on the Margin 5

Big Idea Five: The Power of Trade 5

Big Idea Six: The Importance of Wealth and Economic Growth 6

Big Idea Seven: Institutions Matter 7

Big Idea Eight: Economic Booms and Busts Cannot Be Avoided but Can Be Moderated 8

Big Idea Nine: Inflation Is Caused by Increases in the Supply of Money 9

Big Idea Ten: Central Banking Is a Hard Job 9

The Biggest Idea of All: Economics Is Fun 10

Chapter Review 11

Marginal Revolution University Videos 12

CHAPTER 2 The Power of Trade and Comparative Advantage13

Trade and Preferences 13

Specialization, Productivity, and the Division of Knowledge 14

Comparative Advantage 15

The Production Possibility Frontier 16

Opportunity Costs and Comparative Advantage 16

Comparative Advantage and Wages 19

Adam Smith on Trade 21

Trade and Globalization 21

Takeaway 21

Chapter Review 22

Work It Out 25

Marginal Revolution University Videos 27

Part I: Supply and Demand

CHAPTER 3 Supply and Demand.....29

The Demand Curve for Oil 29

Consumer Surplus 32

What Shifts the Demand Curve? 33

 Important Demand Shifters 33

The Supply Curve for Oil 36

Producer Surplus 39

What Shifts the Supply Curve? 40

 Important Supply Shifters 40

Takeaway 44

Chapter Review 45

Work It Out 49

Marginal Revolution University Videos 49

CHAPTER 4 Equilibrium51

Equilibrium and the Adjustment Process 51

 Who Competes with Whom? 53

A Free Market Maximizes Producer Plus Consumer Surplus (the Gains from Trade) 53

Does the Model Work? Evidence from the Laboratory 56

Shifting Demand and Supply Curves 58

Terminology: Demand Compared with Quantity Demanded and Supply Compared with Quantity Supplied 61

Understanding the Price of Oil 62

Takeaway 64

Chapter Review 65

Work It Out 70

Marginal Revolution Videos and Problems 70

CHAPTER 5 Elasticity and Its Applications71

The Elasticity of Demand 71

 Determinants of the Elasticity of Demand 72

 Calculating the Elasticity of Demand 74

 Total Revenues and the Elasticity of Demand 76

Applications of Demand Elasticity 78

 How American Farmers Have Worked Themselves Out of a Job 78

 Why the War on Drugs Is Hard to Win 79

The Elasticity of Supply 81

 Determinants of the Elasticity of Supply 82

 Calculating the Elasticity of Supply 83

Applications of Supply Elasticity	84
Gun Buyback Programs	84
The Economics of Slave Redemption	86
Using Elasticities for Quick Predictions (Optional)	89
How Much Would the Price of Oil Fall If the Arctic National Wildlife Refuge Were Opened Up for Drilling?	89
Takeaway	90
Chapter Review	91
Work It Out	95
Marginal Revolution University Videos	96
CHAPTER 5 APPENDIX	
Other Types of Elasticities	97
The Cross-Price Elasticity of Demand	97
The Income Elasticity of Demand	97
CHAPTER 6 Taxes and Subsidies	99
Commodity Taxes	100
Who Ultimately Pays the Tax Does Not Depend on Who Writes the Check	100
Who Ultimately Pays the Tax Depends on the Relative Elasticities of Supply and Demand	102
The Wedge Shortcut	103
Health Insurance Mandates and Tax Analysis	104
Who Pays the Cigarette Tax?	105
A Commodity Tax Raises Revenue and Reduces the Gains from Trade (Creates a Deadweight Loss)	106
Elasticity and Deadweight Loss	108
Subsidies	109
King Cotton and the Deadweight Loss of Water Subsidies	110
Wage Subsidies	111
Takeaway	112
Chapter Review	113
Work It Out	118
Marginal Revolution University Videos	118

Part 2: The Price System

CHAPTER 7 The Price System: Signals, Speculation, and Prediction	119
Markets Link the World	119
Markets Link to One Another	120
From Oil to Candy Bars and Brick Driveways	120
Solving the Great Economic Problem	121

A Price Is a Signal Wrapped Up in an Incentive	124
Speculation	125
Signal Watching	128
Prediction Markets	128
Takeaway	130
Chapter Review	131
Work It Out	135
Marginal Revolution University Videos	135

CHAPTER 8 Price Ceilings and Floors.....137

Price Ceilings	137
Shortages	138
Reductions in Quality	138
Wasteful Lines and Other Search Costs	139
Lost Gains from Trade (Deadweight Loss)	141
Misallocation of Resources	142
The End of Price Ceilings	146
Does UBER Price Gouge?	147
Rent Controls (Optional Section)	148
Shortages	148
Reductions in Product Quality	149
Wasteful Lines, Search Costs, and Lost Gains from Trade	150
Misallocation of Resources	151
Rent Regulation	151
Arguments for Price Ceilings	151
Universal Price Controls	152
Price Floors	153
Surpluses	154
Lost Gains from Trade (Deadweight Loss)	155
Wasteful Increases in Quality	156
The Misallocation of Resources	158
Takeaway	158
Chapter Review	159
Work It Out	165
Marginal Revolution University Videos	166

CHAPTER 9 International Trade167

Analyzing Trade with Supply and Demand	167
Analyzing Tariffs with Demand and Supply	168
The Costs of Protectionism	169
Winners and Losers from Trade	172

Arguments Against International Trade 173

Trade and Jobs 173

Child Labor 174

Trade and National Security 176

Key Industries 177

Strategic Trade Protectionism 177

Takeaway 178

Chapter Review 178

Work It Out 182

Marginal Revolution University Videos 182

CHAPTER 10 Externalities: When the Price Is Not Right.....183

External Costs, External Benefits, and Efficiency 184

External Costs 185

External Benefits 187

Private Solutions to externality Problems 189

Government Solutions to externality Problems 190

Command and Control 191

Tradable Allowances 192

Comparing Tradable Allowances and Pigouvian

Taxes—Advanced Material 194

Takeaway 196

Chapter Review 197

Work It Out 201

Marginal Revolution University Videos 201

Part 3: Firms and Factor Markets

CHAPTER 11 Costs and Profit Maximization Under Competition.....203

What Price to Set? 203

Maximizing Profits 205

Ignore Sunk Costs and Ignore Fixed Costs in the Short Run 205

Don't Ignore Opportunity Costs 206

What Quantity to Produce? 207

Profits and the Average Cost Curve 210

Entry, Exit, and Shutdown Decisions 212

The Short-Run Shutdown Decision 213

Entry, Exit, and Industry Supply Curves 215

Increasing Cost Industries 215

Constant Cost Industries 217

A Special Case: The Decreasing Cost Industry 220

Industry Supply Curves: Summary 221

Takeaway 221

Chapter Review 222

Work It Out 228

Marginal Revolution University Videos 229

CHAPTER 11 APPENDIX

Using Excel to Graph Cost Curves 230

CHAPTER 12 Competition and the Invisible Hand233

Invisible Hand Property 1: The Minimization of Total Industry Costs
of Production 233

Invisible Hand Property 2: The Balance of Industries 236

Creative Destruction 237

The Invisible Hand Works with Competitive Markets 238

Takeaway 239

Chapter Review 239

Work It Out 242

Marginal Revolution University Videos 242

CHAPTER 13 Monopoly243

Market Power 243

How a Firm Uses Market Power to Maximize Profit 244

The Elasticity of Demand and the Monopoly Markup 247

The Costs of Monopoly: Deadweight Loss 249

The Costs of Monopoly: Corruption and Inefficiency 250

The Benefits of Monopoly: Incentives for Research and Development 251

Patent Buyouts—A Potential Solution? 252

Sources of Market Power 253

Regulating Monopoly 255

Price Controls 255

Government Ownership 257

Antitrust Law and Merger Policy 259

Takeaway 260

Chapter Review 261

Work It Out 266

Marginal Revolution University Videos 267

CHAPTER 14 Price Discrimination and Pricing Strategy.....269

Price Discrimination 269

Preventing Arbitrage 271

Price Discrimination Is Common 272

Universities and Perfect Price Discrimination 274

Is Price Discrimination Bad? 276

Why Misery Loves Company and How Price Discrimination Helps to Cover Fixed Costs 277

Tying and Bundling 278

Tying 278

Bundling 279

Bundling and Cable TV 280

Takeaway 281

Chapter Review 282

Work It Out 286

Marginal Revolution University Videos 286

CHAPTER 14 APPENDIX

Solving Price Discrimination Problems with Excel (Advanced Section) 287

CHAPTER 15 Oligopoly and Game Theory.....291

Cartels 292

The Incentive to Cheat 293

No One Wins the Cheating Game 295

The Prisoner's Dilemma 296

The Prisoner's Dilemma and Repeated Interaction 296

The Prisoner's Dilemma Has Many Applications 298

Oligopolies 299

When Are Cartels and Oligopolies Most Successful? 300

Government Policy Toward Cartels and Oligopolies 301

Government-Supported Cartels 301

Business Strategy and Changing the Game 302

The Danger of Price Matching Guarantees 302

The High Price of Loyalty 304

Other Ways of Changing the Game 305

Takeaway 305

Chapter Review 306

Work It Out 312

CHAPTER 15 APPENDIX

Nash Equilibrium 313

Marginal Revolution University Videos 316

CHAPTER 16 Competing for Monopoly: The Economics of Network Goods.....317

Network Goods Are Usually Sold by Monopolies or Oligopolies 318

The "Best" Product May Not Always Win 318

Competition Is “For the Market” Instead of “In the Market” 320

Limiting Contestability with Switching Costs 321

Antitrust and Network Goods 321

Music Is a Network Good 322

Takeaway 323

Chapter Review 323

Work It Out 326

CHAPTER 17 Monopolistic Competition and Advertising.....329

Sources of Product Differentiation 330

The Monopolistic Competition Model 331

Is Monopolistic Competition Inefficient? 332

The Economics of Advertising 334

Informative Advertising 334

Advertising as Signaling 335

Advertising Changes Our Tastes 335

Advertising Lowers the Price of Many Products 336

Takeaway 336

Chapter Review 337

Work It Out 339

Marginal Revolution Videos and Problems 339

CHAPTER 18 Labor Markets341

The Demand for Labor and the Marginal Product of Labor 341

Supply of Labor 343

Labor Market Issues 345

Why Do Janitors in the United States Earn More Than Janitors in India Even
When They Do the Same Job? 345

Human Capital 346

Compensating Differentials 348

Do Unions Raise Wages? 351

How Bad Is Labor Market Discrimination, or Can Lakisha Catch a
Break? 352

Statistical Discrimination 352

Preference-Based Discrimination 353

Discrimination by Government 356

Why Discrimination Isn't Always Easy to Identify 357

Takeaway 358

Chapter Review 359

Work It Out 364

Marginal Revolution University Videos 365

Part 4: Government

CHAPTER 19 Public Goods and the Tragedy of the Commons.....367

Four Types of Goods 368

Private Goods and Public Goods 369

Club Goods 371

 The Peculiar Case of Advertising 371

Common Resources and the Tragedy of the Commons 372

 Happy Solutions to the Tragedy of the Commons 374

Takeaway 376

Chapter Review 376

Work It Out 382

Marginal Revolution University Videos 382

CHAPTER 19 APPENDIX

The Tragedy of the Commons: How Fast? 383

CHAPTER 20 Political Economy and Public Choice.....385

Voters and the Incentive to Be Ignorant 386

 Why Rational Ignorance Matters 387

Special Interests and the Incentive to Be Informed 387

A Formula for Political Success: Diffuse Costs, Concentrate Benefits 389

Voter Myopia and Political Business Cycles 391

Two Cheers for Democracy 393

 The Median Voter Theorem 394

 Democracy and Nondemocracy 396

 Democracy and Famine 397

 Democracy and Growth 399

Takeaway 400

Chapter Review 401

Work It Out 406

Marginal Revolution University Videos 407

CHAPTER 21 Economics, Ethics, and Public Policy409

The Case for Exporting Pollution and Importing Kidneys 410

Exploitation 411

Meddlesome Preferences 412

Fair and Equal Treatment 413

Cultural Goods and Paternalism 413

Poverty, Inequality, and the Distribution of Income 414

 Rawls’s Maximin Principle 414

 Utilitarianism 415

 Robert Nozick’s Entitlement Theory 416

Who Counts? Immigration 418

Economic Ethics 419

Takeaway 420

Chapter Review 420

Work It Out 423

Part 5: Decision Making for Businesses, Investors, and Consumers

CHAPTER 22 Managing Incentives425

Lesson One: You Get What You Pay For 425

 Prisons for Profit? 427

 Piece Rates vs. Hourly Wages 428

Lesson Two: Tie Pay to Performance to Reduce Risk 429

 Tournament Theory 430

 Improving Executive Compensation with Pay for Relative Performance 431

 Environment Risk and Ability Risk 432

 Tournaments and Grades 433

Lesson Three: Money Isn't Everything 434

Lesson Four: Nudges Can Work 436

Takeaway 437

Chapter Review 438

Work It Out 443

CHAPTER 23 Stock Markets and Personal Finance445

Passive vs. Active Investing 445

Why Is It Hard to Beat the Market? 447

How to Really Pick Stocks, Seriously 449

 Diversify 449

 Avoid High Fees 451

 Compound Returns Build Wealth 452

 The No-Free-Lunch Principle, or No Return Without Risk 453

Other Benefits and Costs of Stock Markets 455

 Bubble, Bubble, Toil, and Trouble 456

Takeaway 457

Chapter Review 458

Work It Out 460

Marginal Revolution Videos and Problems 460

CHAPTER 24 Asymmetric Information: Moral Hazard and Adverse Selection.....461

Moral Hazard 462

 Overcoming Moral Hazard by Providing More Information 463

 Overcoming Moral Hazard by Creating Better Incentives 465

Adverse Selection 466

 Adverse Selection in Health Insurance 468

Signaling as a Response to Asymmetric Information 471

 Signaling in the Job Market 472

 Signaling in Dating, Marriage, and the Animal Kingdom 473

 Is Signaling Good? 474

Takeaway 475

Chapter Review 476

Work It Out 479

Marginal Revolution University Videos 480

CHAPTER 25 Consumer Choice.....481

How to Compare Apples and Oranges 481

The Demand Curve 484

The Budget Constraint 485

Preferences and Indifference Curves 487

Optimization and Consumer Choices 489

The Income and Substitution Effects 492

Applications of Income and Substitution Effects 493

 Losing Your Ticket 493

 How Much Should Costco Charge for Membership? 494

 Labor Supply 494

 Labor Supply and Welfare Programs 496

Takeaway 499

Chapter Review 500

Work It Out 504

Marginal Revolution University Videos 504

Part 6: Economic Growth

CHAPTER 26 GDP and the Measurement of Progress.....505

What Is GDP? 507

 GDP Is the Market Value . . . 507

 . . . of All Finished . . . 507

 . . . Goods and Services . . . 508

 . . . Produced . . . 508

 . . . within a Country . . . 509

 . . . in a Year 509

Growth Rates 509

Nominal vs. Real GDP 510

 The GDP Deflator 511

 Real GDP Growth 511

 Real GDP Growth per Capita 512

Cyclical and Short-Run Changes in GDP 512

The Many Ways of Splitting GDP 514

The National Spending Approach: $Y = C + I + G + (\text{Exports} - \text{Imports})$ 514

The Factor Income Approach: $Y = \text{Employee Compensation} + \text{Rent} + \text{Interest} + \text{Profit}$ 516

Why Split? 517

Problems with GDP as a Measure of Output and Welfare 518

GDP Does Not Count the Underground Economy 518

GDP Does Not Count Nonpriced Production 518

GDP Does Not Count Bads: Environmental Costs 519

GDP Does Not Count the Health of Nations 520

GDP Does Not Measure the Distribution of Income 521

Takeaway 522

Chapter Review 522

Work It Out 527

Marginal Revolution University Videos 527

CHAPTER 27 The Wealth of Nations and Economic Growth529

Key Facts About the Wealth of Nations and Economic Growth 530

Fact One: GDP per Capita Varies Enormously Among Nations 530

Fact Two: Everyone Used to Be Poor 531

Fact Three: There Are Growth Miracles and Growth Disasters 533

Summarizing the Facts: Good and Bad News 535

Understanding the Wealth of Nations 535

The Factors of Production 535

Incentives and Institutions 537

Institutions 539

The Ultimate Causes of the Wealth of Nations 543

Takeaway 545

Chapter Review 545

Work It Out 550

Marginal Revolution University Videos 551

CHAPTER 27 APPENDIX

The Magic of Compound Growth Using a Spreadsheet 552

CHAPTER 28 Growth, Capital Accumulation, and the Economics of Ideas: Catching Up vs. the Cutting Edge.....555

The Solow Model and Catching-Up Growth 556

Capital, Production, and Diminishing Returns 557

Capital Growth Equals Investment Minus Depreciation 559

Why Capital Alone Cannot Be the Key to Economic Growth 560

Human Capital 562

From Capital Accumulation to Catching-Up Growth 562

The Investment Rate and Conditional Convergence	563
The Solow Model and an Increase in the Investment Rate	563
The Solow Model and Conditional Convergence	565
New Ideas and Cutting-Edge Growth	566
Better Ideas Drive Long-Run Economic Growth	567
Solow and the Economics of Ideas in One Diagram	568
The Economics of Ideas	569
Research and Development Is Investment for Profit	569
Spillovers, and Why There Aren't Enough Good Ideas	571
Government's Role in the Production of New Ideas	572
Market Size and Research and Development	573
The Future of Economic Growth	573
Takeaway	575
Chapter Review	576
Work It Out	581
Marginal Revolution University Videos	582
CHAPTER 28 APPENDIX	
Excellent Growth	583
 CHAPTER 29 Saving, Investment, and the Financial System.....	587
The Supply of Savings	588
Individuals Want to Smooth Consumption	588
Individuals Are Impatient	589
Marketing and Psychological Factors	590
The Interest Rate	590
The Demand to Borrow	591
Individuals Want to Smooth Consumption	591
Borrowing Is Necessary to Finance Large Investments	592
The Interest Rate	593
Equilibrium in the Market for Loanable Funds	594
Shifts in Supply and Demand	594
The Role of Intermediaries: Banks, Bonds, and Stock Markets	596
Banks	596
The Bond Market	597
The Stock Market	600
What Happens When Intermediation Fails?	601
Insecure Property Rights	602
Controls on Interest Rates	602
Politicized Lending and Government-Owned Banks	603
Bank Failures and Panics	604

The Financial Crisis of 2007–2008: Leverage, Securitization, and Shadow Banking 604
Leverage 604
Securitization 606
The Shadow Banking System 607

Takeaway 610

Chapter Review 610

Work It Out 614

Marginal Revolution University Videos 615

CHAPTER 29 APPENDIX

Bond Pricing and Arbitrage 616

Bond Pricing with a Spreadsheet 619

Part 7: Business Fluctuations

CHAPTER 30 Unemployment and Labor Force Participation.....621

Defining Unemployment 623

How Good an Indicator Is the Unemployment Rate? 623

Frictional Unemployment 625

Structural Unemployment 627

Labor Regulations and Structural Unemployment 628

Labor Regulations to Reduce Structural Unemployment 633

Factors That Affect Structural Unemployment 634

Cyclical Unemployment 634

The Natural Unemployment Rate 637

Labor Force Participation 638

Lifecycle Effects and Demographics 638

Incentives 639

Takeaway 643

Chapter Review 643

Work It Out 647

Marginal Revolution University Videos 648

CHAPTER 31 Inflation and the Quantity Theory of Money.....649

Defining and Measuring Inflation 649

Price Indexes 650

Inflation in the United States and Around the World 651

The Quantity Theory of Money 653

The Cause of Inflation 655

An Inflation Parable 658

The Costs of Inflation 658

Price Confusion and Money Illusion 659

Inflation Redistributes Wealth 660

Inflation Interacts with Other Taxes	664
Inflation Is Painful to Stop	664
Takeaway	665
Chapter Review	666
Work It Out	669
Marginal Revolution University Videos	669
CHAPTER 32 Business Fluctuations: Aggregate Demand and Supply	671
The Aggregate Demand Curve	673
Shifts in the Aggregate Demand Curve	675
The Long-Run Aggregate Supply Curve	676
Shifts in the Long-Run Aggregate Supply Curve	676
Real Shocks	678
Oil Shocks	679
More Shocks	681
Aggregate Demand Shocks and the Short-Run Aggregate Supply Curve	682
Short-Run Aggregate Supply Curve	682
The Long Run	684
Shocks to the Components of Aggregate Demand	687
A Shock to \vec{C}	687
Why Changes in \vec{v} Tend to Be Temporary	688
Other AD Shocks	688
Understanding the Great Depression: Aggregate Demand Shocks and Real Shocks	690
Aggregate Demand Shocks and the Great Depression	690
Real Shocks and the Great Depression	692
Takeaway	693
Chapter Review	694
Work It Out	698
Marginal Revolution University Videos	699
CHAPTER 33 Transmission and Amplification Mechanisms	701
Intertemporal Substitution	701
Uncertainty and Irreversible Investments	703
Labor Adjustment Costs	704
Time Bunching	705
Collateral Damage	706
Takeaway	709
Chapter Review	709
Work It Out	713
Marginal Revolution University Videos	713
CHAPTER 33 APPENDIX	
Business Fluctuations and the Solow Model	714

Part 8: Macroeconomic Policy and Institutions

CHAPTER 34 The Federal Reserve System and Open Market Operations.....	717
What Is the Federal Reserve System? 717	
The U.S. Money Supplies 718	
Fractional Reserve Banking, the Reserve Ratio, and the Money Multiplier 720	
How the Fed Controls the Money Supply 722	
Open Market Operations 722	
Payment of Interest on Reserves 725	
The Federal Reserve Is the Lender of Last Resort 726	
Revisiting Aggregate Demand and Monetary Policy 729	
Who Controls the Fed? 731	
Takeaway 732	
Chapter Review 733	
Work It Out 737	
Marginal Revolution University Videos 737	
CHAPTER 34 APPENDIX	
The Money Multiplier Process in Detail 738	
CHAPTER 35 Monetary Policy	741
Monetary Policy: The Best Case 741	
Reversing Course and Engineering a Decrease in AD 743	
The Fed as Manager of Market Confidence 745	
The Negative Real Shock Dilemma 746	
When the Fed Does Too Much 749	
Dealing with Asset Price Bubbles 751	
Rules vs. Discretion 752	
Takeaway 754	
Chapter Review 754	
Work It Out 763	
Marginal Revolution University Videos 764	
CHAPTER 36 The Federal Budget: Taxes and Spending.....	765
Tax Revenues 765	
The Individual Income Tax 766	
Social Security and Medicare Taxes 769	
The Corporate Income Tax 769	
The Bottom Line on the Distribution of Federal Taxes 770	
State and Local Taxes 771	

Spending	771
Social Security	772
Defense	774
Medicare and Medicaid	774
Unemployment Insurance and Welfare Spending	775
Everything Else	775
Is Government Spending Wasted?	776
The National Debt, Interest on the National Debt, and Deficits	777
Will the U.S. Government Go Bankrupt?	779
The Future Is Hard to Predict	780
Revenues and Spending Undercount the Role of Government in the Economy	781
Takeaway	782
Chapter Review	783
Work It Out	788
Marginal Revolution University Videos	788
CHAPTER 37 Fiscal Policy	789
Why Should Fiscal Policy Work?	789
What Determines the Size of the Multiplier?	791
So How Big Is the Multiplier?	794
Limits to Fiscal Policy: Magnitude	795
Timing	796
Government Spending vs. Tax Cuts as Expansionary Fiscal Policy	797
Fiscal Policy Does Not Work Well to Combat Real Shocks	799
When Fiscal Policy Might Make Matters Worse	800
So When Is Fiscal Policy a Good Idea?	802
Takeaway	803
Chapter Review	803
Work It Out	809
Marginal Revolution University Videos	810

Part 9: International Economics

CHAPTER 38 International Finance	811
The U.S. Trade Deficit and Your Trade Deficit	812
The Balance of Payments	813
The Current Account	814
The Capital Account, Sometimes Called the Financial Account	814
The Official Reserves Account	815
How the Pieces Fit Together	815

Two Sides, One Coin	815
The Bottom Line on the Trade Deficit	817
What Are Exchange Rates?	818
Exchange Rate Determination in the Short Run	818
Exchange Rate Determination in the Long Run	821
How Monetary and Fiscal Policy Affect Exchange Rates and How Exchange Rates Affect Aggregate Demand	824
Monetary Policy	824
Fiscal Policy	826
Fixed vs. Floating Exchange Rates	827
The Problem with Pegs	828
What Are the IMF and the World Bank?	829
International Monetary Fund	829
The World Bank	829
Takeaway	830
Chapter Review	831
Work It Out	836
Marginal Revolution University Videos	836

APPENDIX A Reading Graphs and Making Graphs.....A-1

APPENDIX B Solutions to Check Yourself Questions..... B-1

Glossary G-1

References R-1

Index I-1