Chapter 1

*Introduction*

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| Chapter Outline | Alternate Lecture Outline |
| * The Big Picture * Key Forces Shaping Today’s Economy   + Technological Change   + Globalization   + The Evolution of Financial Markets * The Role of Government   + Economic Competition   + Government Intervention   + Finding a Balance * The Definition of Economics   + Indicators of Prosperity   + The Safety Net * Disagreements in Economics * The Basics of Graphs   + Reading Data from Graphs   + Plotting Graphs from Data | * The Big Picture * The Definition of Economics   + Indicators of Prosperity   + The Safety Net * The Role of Government   + Economic Competition   + Government Intervention   + Finding a Balance * Disagreements in Economics * Key Forces Shaping Today’s Economy   + Technological Change   + Globalization   + The Evolution of Financial Markets * The Basics of Graphs   + Reading Data from Graphs   + Plotting Graphs from Data |

Potential Stumbling Blocks

Many students may have a prejudice against globalization. Indeed, many may be coming into the course believing that the only good kind of trade is *exporting*, a myth that ignores the wider selection of goods and lower prices that Americans enjoy as a result of trade. It may be helpful to speak of trade as a voluntary action that is taken by both sides, who independently believe they can benefit from it. It may be helpful to develop the idea that it is the *distribution of the benefits of trade* that is most subject to criticism.

The use and presentation of data in economics are often unfamiliar to students in a basic economics class. To help those students who feel out of their element working with data and graphs, an appendix (“The Basics of Graphs”) that covers graph basics follows Chapter 1. You may decide to teach the material in class if you feel most of your students could use the extra help. At the very least, you should be prepared to direct those students who need help developing these skills to this appendix. This is a great opportunity to remove a potential stumbling block early.

Additional Resources

The Essay in the 2002 Annual Report of the Federal Reserve Bank of Dallas, “The Fruits of Free Trade” by Mike Cox and Richard Alm, may help students understand the benefits of both sides of trade. It is definitely written at a level that can be understood by your students. However, it might also serve as a great source of examples and statistics for the instructor.

[2002 Federal Reserve Bank of Dallas Annual Report](https://www.dallasfed.org/assets/documents/fed/annual/2002/ar02.pdf)

The loss of jobs from globalization may weigh heavily on students’ minds, but they should be reminded that globalization has also led to, as an example, the growth of a logistics industry that employs many Americans. A short March 2004 article by Robert Guy Matthews, titled “Globalization Creates Logistics Jobs,” discusses this.

[The Wall Street Journal: “Globalization Creates Logistics Jobs"](http://www.wsj.com/articles/SB107810118309842410)

Changes to the Third Edition

Chapter 1 now opens with a discussion of the U.S. economy's lackluster recovery from the Great Recession. Many examples have been updated.

Spotlight Questions

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| Spotlight: The Chinese Economy | |
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| 1. Thirty years ago in the United States, goods produced in China were    1. more common than they are today.    2. more costly than they are today.    3. almost impossible to find.    4. just as common as American goods. | 1. China is an economic success story largely due to    1. markets and trade.    2. U.S. foreign aid.    3. government interventions.    4. its large population and military strength. |

Spotlight Questions Answer Key

1: C, 2: A

Chapter Quiz Answer Key

1: C, 2: A, 3: B, 4: B, 5: C, 6: D, 7: A, 8: C, 9: C, 10: A

Chapter 1 Quiz Name: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_

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| 1. Which of the following is NOT true of a transaction in a market economy?    1. Participation is voluntary    2. It can involve goods or services    3. There is always a winner and a loser    4. It usually involves money 2. The creation of the animated feature film by Walt Disney is given as an example of which of the following?    1. Technology leading to creativity in entertainment    2. Globalization allowing people to buy less expensive goods from around the world    3. Financial markets allowing firms to borrow money to invest in new ideas    4. An unusual use of the assembly line 3. How does *information* technology compare to *energy* technology?    1. The rate of technological change in both information and energy has been about equal in recent years.    2. Technological change in information has occurred more rapidly in recent years.    3. Technological change in energy has occurred more rapidly in recent years.    4. In recent years, neither has experienced technological change. 4. The textbook doesNOT provide examples of which of the following?    1. Goods that are imported by the United States from other countries    2. Successful economies that are shut off from the rest of the world and do not trade    3. Negative effects of globalization    4. Poor countries that have benefited from trading with richer countries 5. Since 1995, the price of clothing:    1. has remained the same.    2. has increased by 5 percent.    3. has decreased by 5 percent.    4. has been controlled by the government. | 1. Which of the following activities is NOT facilitated by the financial markets, as discussed in the textbook?    1. Borrowing money    2. Investing money    3. Transferring money    4. Printing money 2. In a centrally planned economy:    1. the government makes all decisions about economic activity.    2. the most productive plants are located in the center of the economy and the least productive are located on the outskirts.    3. the government establishes a laissez-faire structure for the economy.    4. individuals have eliminated government interference and now make decisions on their own, without regulations or laws. 3. Government intervention in the U.S. economy includes all of the following EXCEPT:    1. establishing automotive safety regulations.    2. issuing money.    3. setting the inflation rate.    4. approving new drugs. 4. Individuals, businesses, and governments:    1. differ in that individuals and businesses face trade-offs, but government does not.    2. differ in that businesses and government own resources, and households do not.    3. are alike in that they all must make trade-offs in the face of scarce resources.    4. are alike in that they all seek to own all of society’s scarce resources. 5. Which of the following is true about GDP?    1. It includes the value of services provided by federal, state, and local governments.    2. It is calculated by the Federal Reserve.    3. It was approximately $58,000 in 2015.    4. It does not include money spent on cell phone service because this is not an actual good. |