

2

Thinking Like an Economist

Figure 1 The Circular Flow

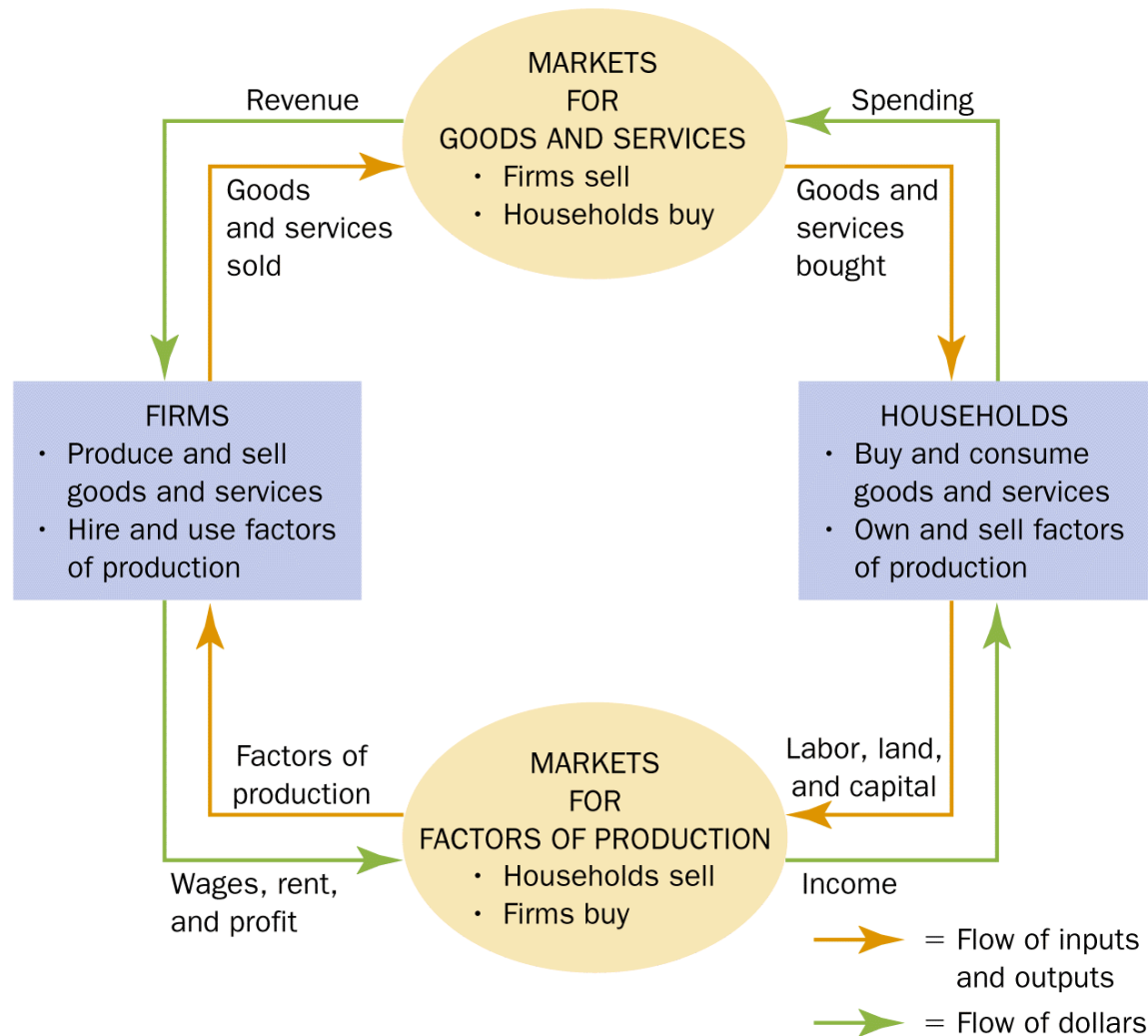


Figure 2 The Production Possibilities Frontier

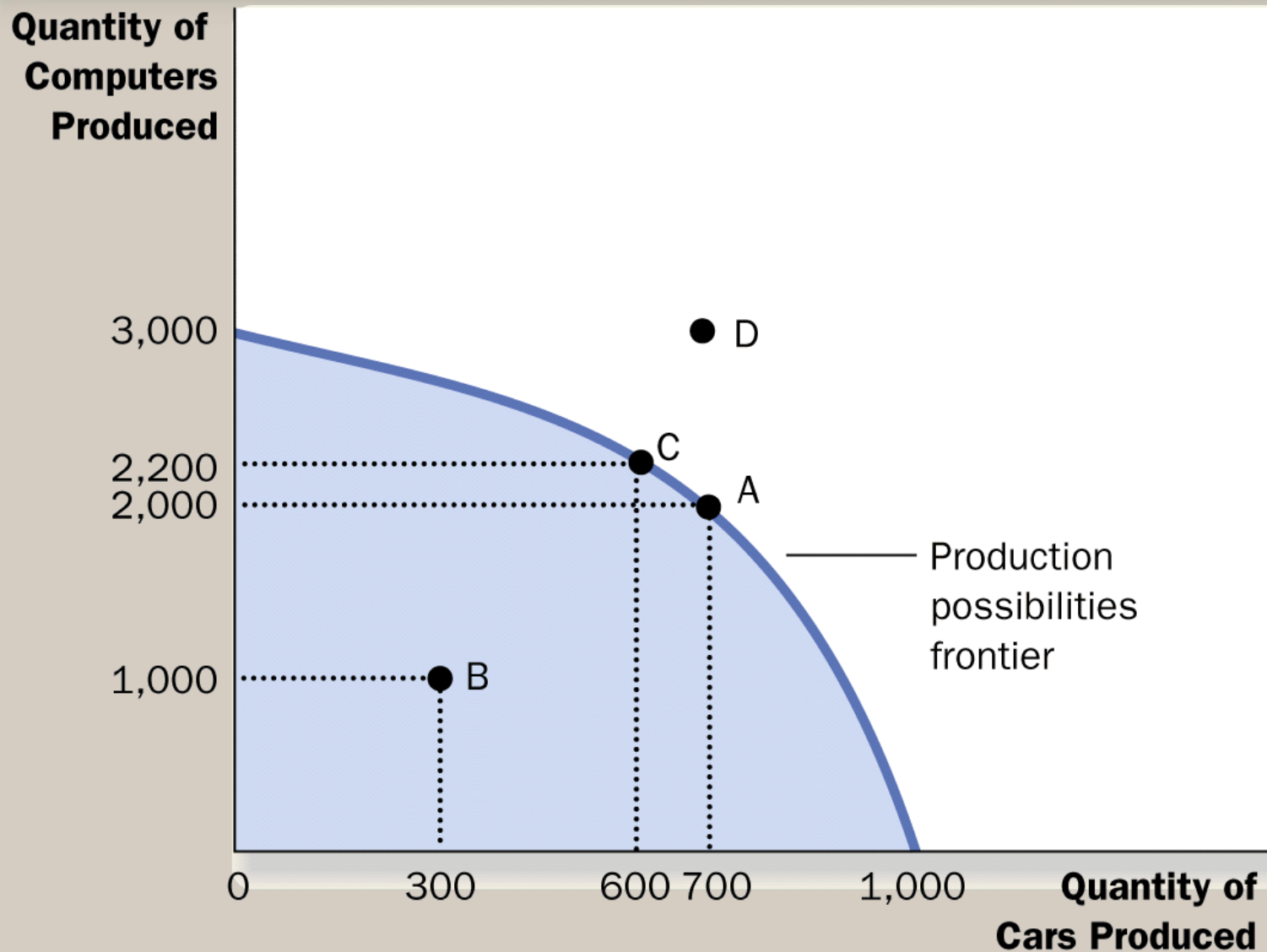


Figure 3 A Shift in the Production Possibilities Frontier

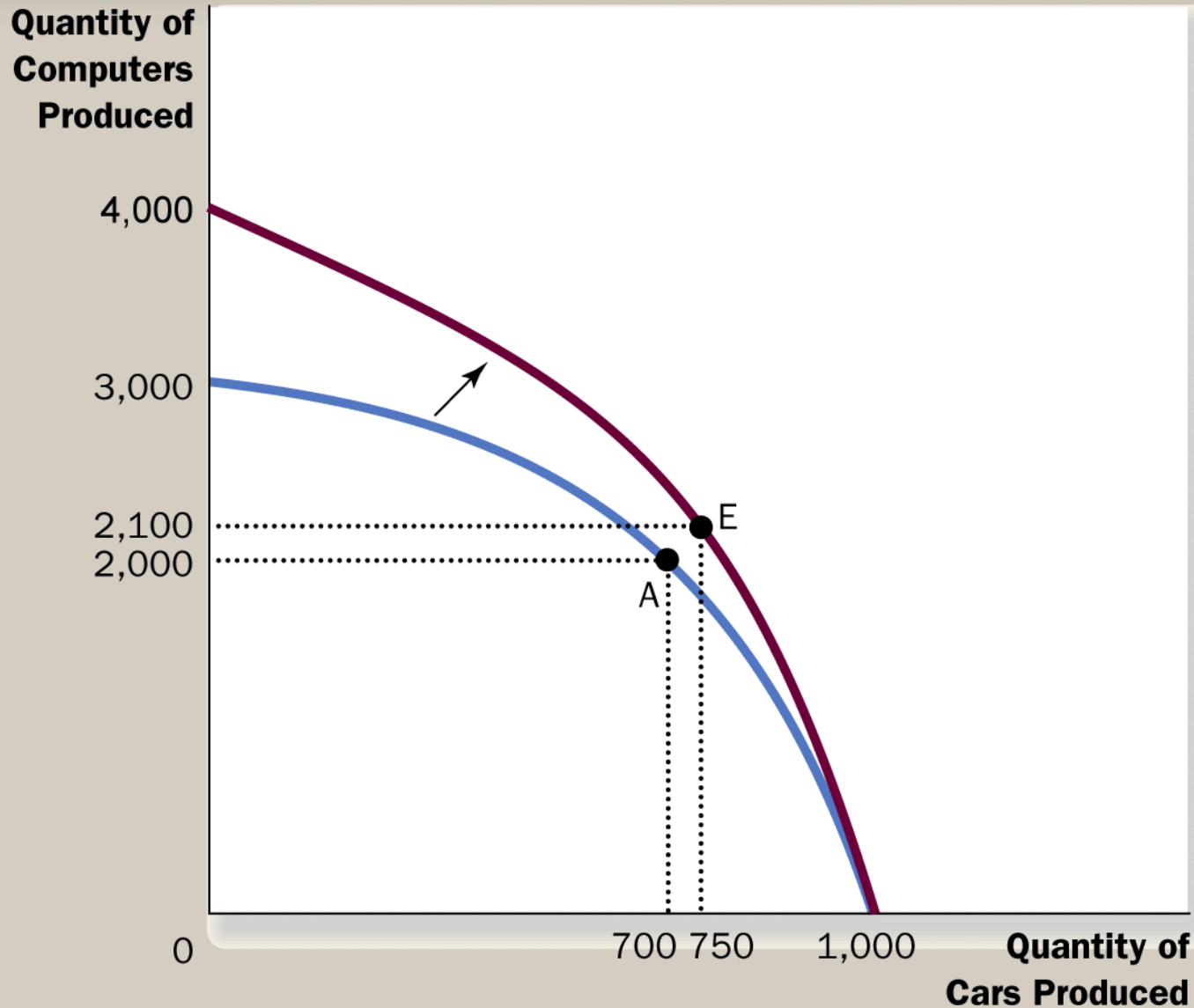


Table 1 Web Sites

Web Sites

Here are the Web sites for a few of the government agencies that are responsible for collecting economic data and making economic policy.

Department of Commerce	http://www.commerce.gov
Bureau of Labor Statistics	http://www.bls.gov
Congressional Budget Office	http://www.cbo.gov
Federal Reserve Board	http://www.federalreserve.gov

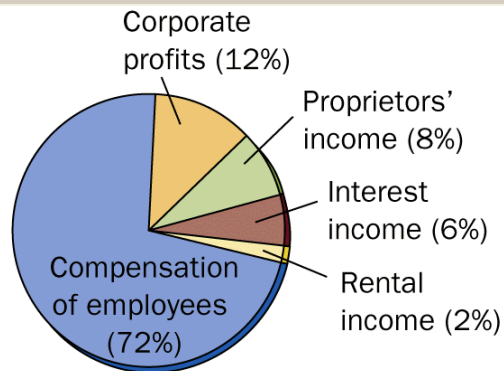
Table 2 Ten Propositions about Which Most Economists Agree

Proposition (and percentage of economists who agree)

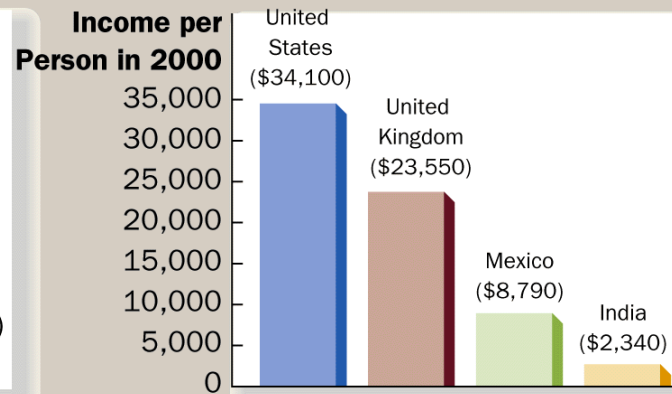
1. A ceiling on rents reduces the quantity and quality of housing available. (93%)
2. Tariffs and import quotas usually reduce general economic welfare. (93%)
3. Flexible and floating exchange rates offer an effective international monetary arrangement. (90%)
4. Fiscal policy (e.g., tax cut and/or government expenditure increase) has a significant stimulative impact on a less than fully employed economy. (90%)
5. If the federal budget is to be balanced, it should be done over the business cycle rather than yearly. (85%)
6. Cash payments increase the welfare of recipients to a greater degree than do transfers-in-kind of equal cash value. (84%)
7. A large federal budget deficit has an adverse effect on the economy. (83%)
8. A minimum wage increases unemployment among young and unskilled workers. (79%)
9. The government should restructure the welfare system along the lines of a "negative income tax." (79%)
10. Effluent taxes and marketable pollution permits represent a better approach to pollution control than imposition of pollution ceilings. (78%)

Figure A-1 Types of Graphs

(a) Pie Chart



(b) Bar Graph



(c) Time-Series Graph

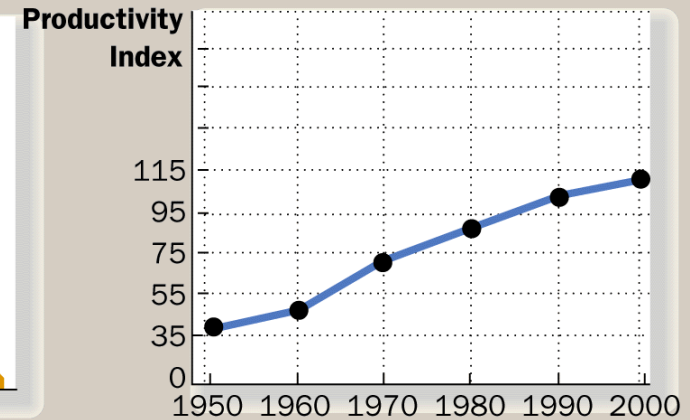


Figure A-2 Using the Coordinate System

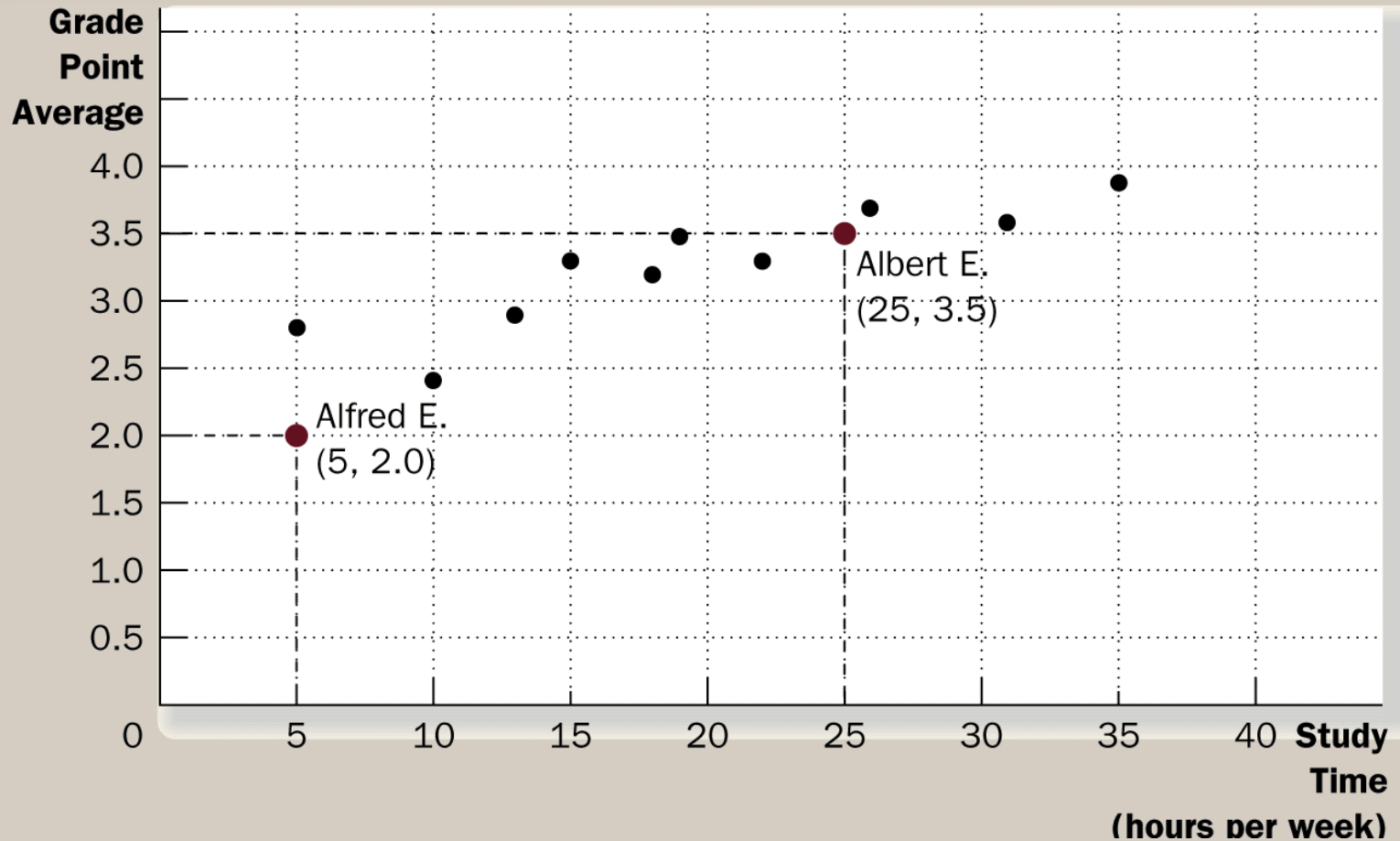


Table A-1 Novels Purchased by Emma

Price	Income		
	\$20,000	\$30,000	\$40,000
\$10	2 novels	5 novels	8 novels
9	6	9	12
8	10	13	16
7	14	17	20
6	18	21	24
5	22	25	28
	Demand curve, D_3	Demand curve, D_1	Demand curve, D_2

Figure A-3 Demand Curve

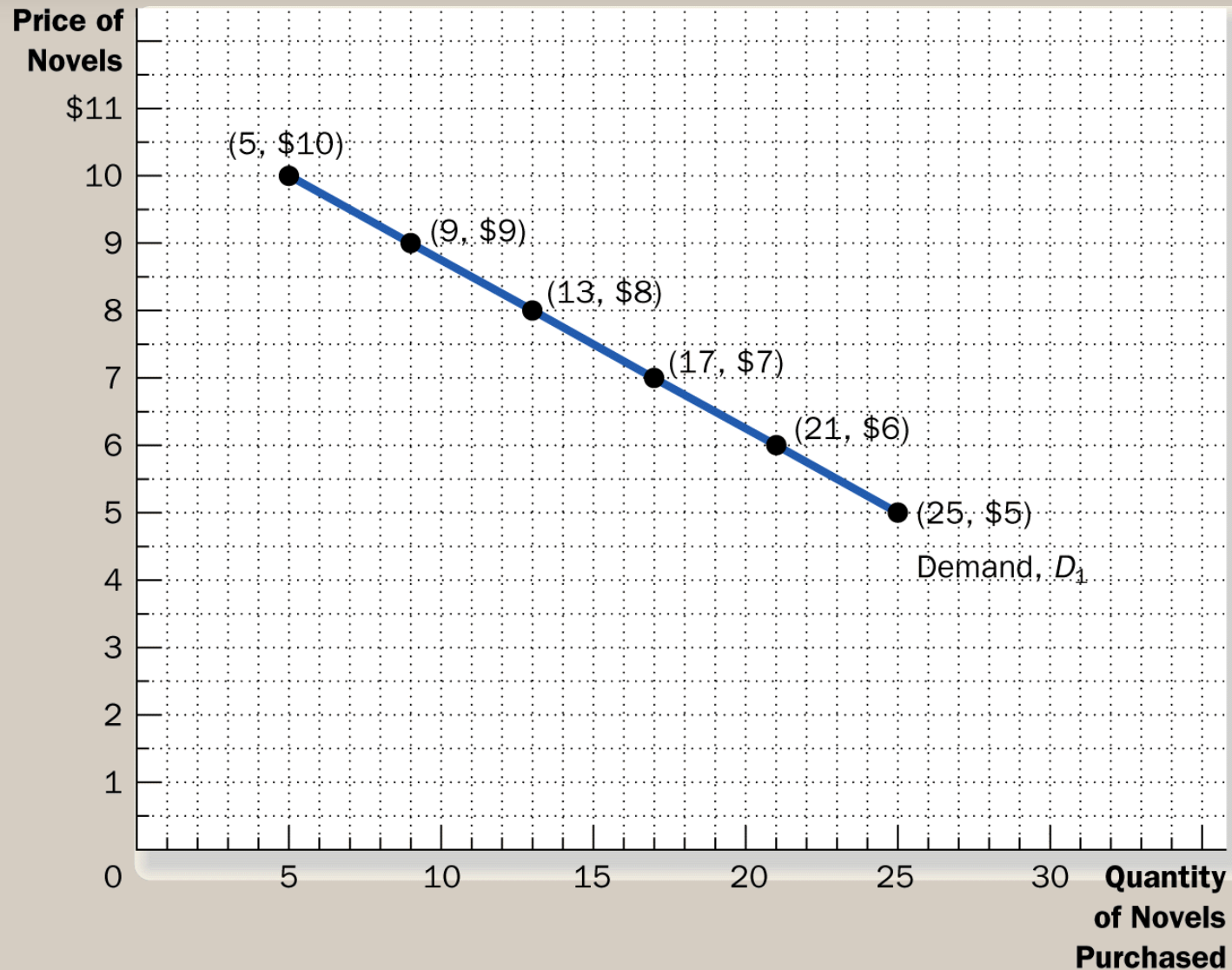


Figure A-4 Shifting Demand Curves

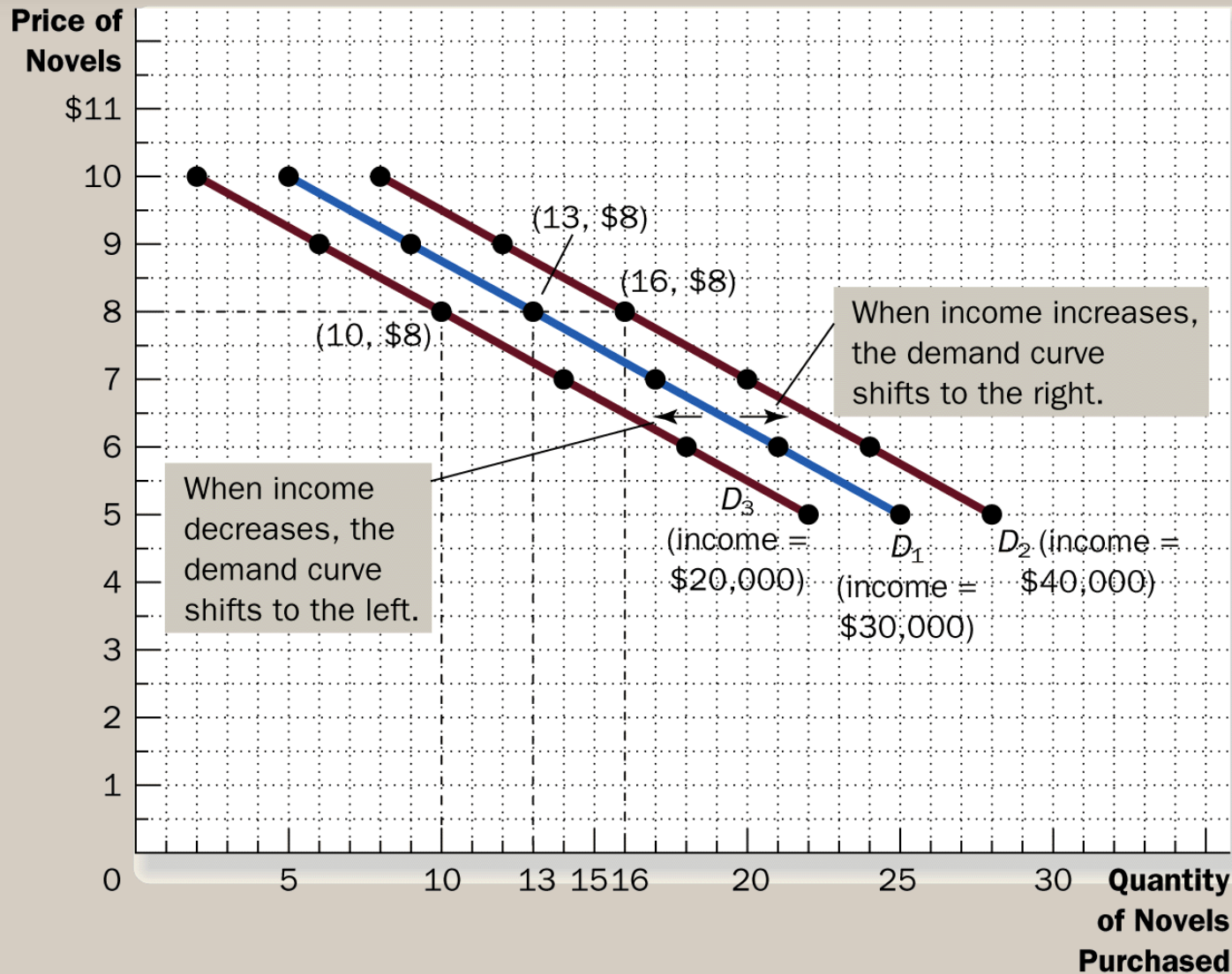


Figure A-5 Calculating the Slope of a Line

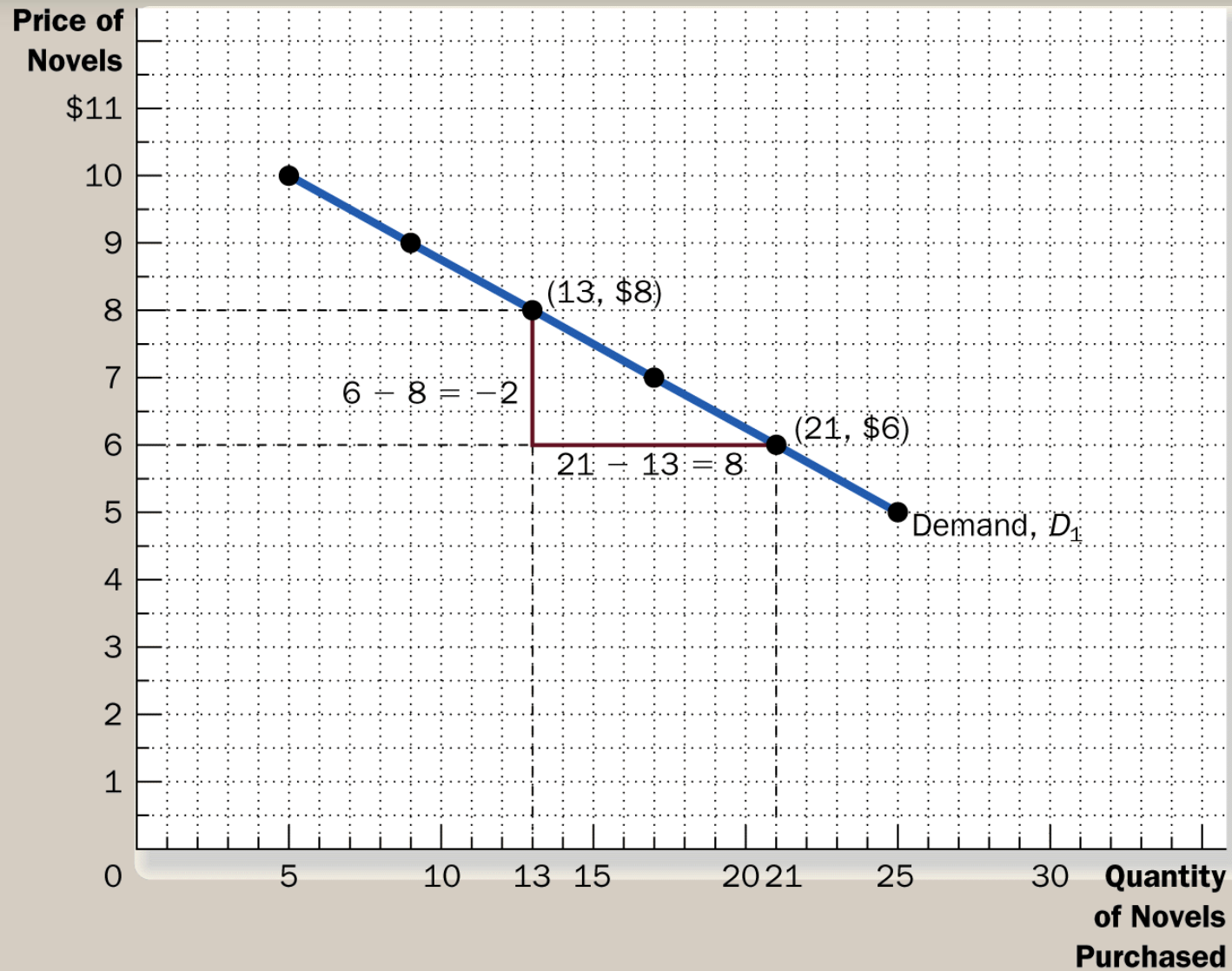


Figure A-6 Graph with an Omitted Variable

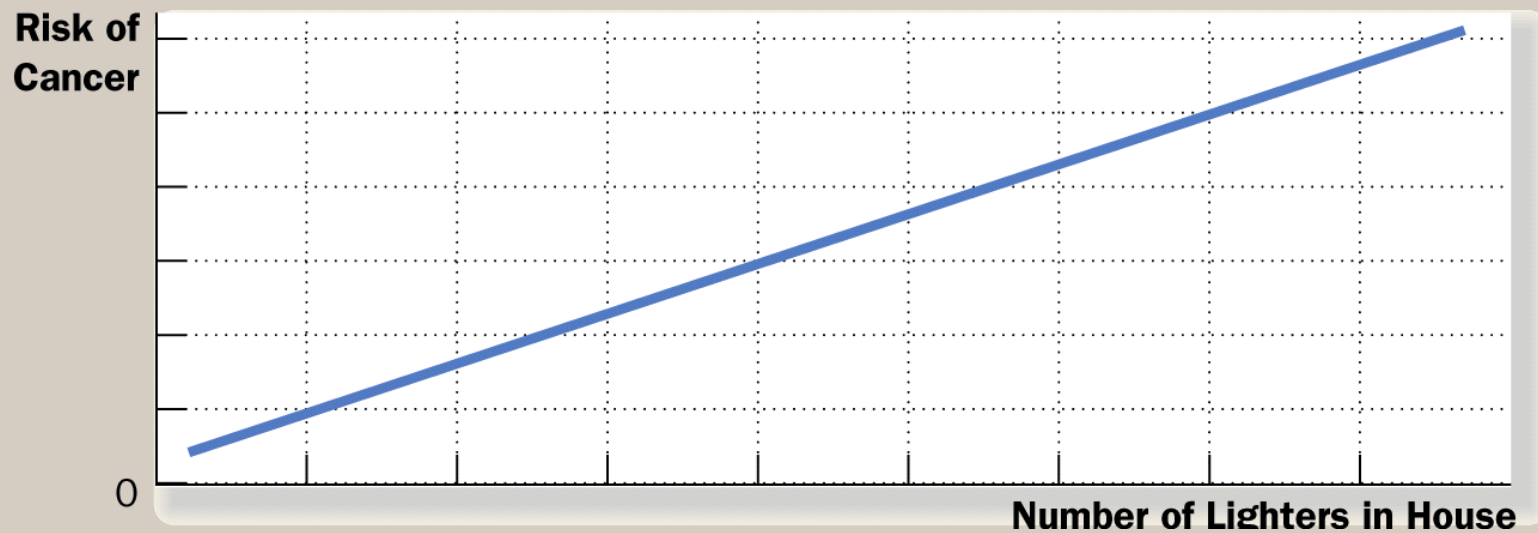


Figure A-7 Graph Suggesting Reverse Causality

