

PREFACE

When I started writing this textbook, I had two goals. First, I wanted to clearly explain basic economic principles, using the tools that I learned during my years as an economist and as an economic journalist. Second, I wanted to provide an introduction to the vibrant, but increasingly perplexing economy that we all live in.

What you see here is the result of my effort to achieve these two goals. The first half of the textbook, which includes the introduction and 11 core chapters, presents the essential economic concepts. I designed this section to be accessible to people with a wide range of economic and mathematical backgrounds. The second half of the textbook covers topics such as financial markets, globalization, technological change, healthcare, and environmental economics.

Throughout the textbook, I have consistently used fresh examples from today's global economy. My goal is to make the textbook, in part, a window into what is happening in the economy right now, including globalization and the aftermath of the financial crisis.

Fundamental Objectives

This textbook will accomplish three goals for you:

- You will get the basic tools of economics to learn a new way of thinking about today's world, so you can think more like an economist.
- By using these tools of economics, you will begin to understand markets and the global market economy.
- You will see the ways in which the possibilities of today's economy are expanding.

Distinguishing Features and Organization

This textbook emphasizes the main forces shaping today's economy: technological change, globalization, and the evolution of financial markets. The basic tools of economics are presented in the first 12 chapters to lay a foundation for understanding how the economy evolves and changes.

Current and Real Examples Economic concepts and ideas are illustrated in recent newsworthy events to help you see that economics is in action everywhere around you. Each chapter starts with a brief vignette that applies the concept to be learned to real-world events so you can see how the chapter concept relates back to everyday life.

Clear and Simple Graphs This book's simple, easy-to-follow graphs translate complex economic concepts into effective visual tools for the beginning student.

Historical Context Economic Milestone boxes sprinkled throughout each chapter provide interesting historical facts and references that relate to the material at hand.

Assurance of Learning Ready Many educational institutions today are focused on the notion of assurance of learning, an important element of many accreditation standards. *Economics: The Basics, 2/e* is designed specifically to support your assurance of learning initiatives with a simple yet powerful solution.

Each chapter in the book begins with a list of numbered learning objectives, which appear throughout the chapter as well as in the end-of-chapter assignments. Every Test Bank question for *Economics: The Basics, 2/e* maps to a specific chapter learning objective in the textbook as well as topic area, Bloom's Taxonomy level, and AACSB skill area. You can use our Test Bank software, *EZ Test*, or *Connect Economics* to easily search for learning objectives that directly relate to the learning objectives for your course. You can then use the reporting features of *EZ Test* to aggregate student results in similar fashion, making the collection and presentation of assurance of learning data simple and easy.

AACSB Statement McGraw-Hill/Irwin is a proud corporate member of AACSB International. Understanding the importance and value of AACSB accreditation, *Economics: The Basics, 2/e* recognizes the curricula guidelines detailed in the AACSB standards for business accreditation by connecting selected questions in the Test Bank and end-of-chapter material to the general knowledge and skill guidelines in the AACSB standards.

The statements contained in *Economics: The Basics, 2/e* are provided only as a guide for the users of this textbook. The AACSB leaves content coverage and assessment within the purview of individual schools, the mission of the school, and the faculty. While *Economics: The Basics, 2/e* and the teaching package make no claim of any specific AACSB qualification or evaluation, we have, within *Economics: The Basics, 2/e*, labeled selected questions according to the six general knowledge and skills areas.

Changes in the Second Edition

The narrative in all chapters has been evaluated and streamlined where necessary. Content and data updates to the figures, tables, and chapter narrative have been made throughout the book to reflect currency. In addition, select “Spotlight” and “How It Works” boxes have been updated or replaced to provide scenarios from today’s economic landscape. All end-of-chapter problems have been reworked and are now aligned with the learning objectives presented at the beginning of each chapter. Additionally, all of the end-of-chapter problems are assignable through McGraw-Hill *Connect Economics*, and select problems are available as algorithmic variations (for more information on *Connect Economics* please refer to p. xvi and xvii). Chapter-by-chapter changes are as follows:

Chapter 1 Introduction features an updated chapter opening vignette discussing the Great Recession of 2007–2009. The learning objectives have been reevaluated, resulting in the deletion of one learning objective and the addition of another about key disagreements in economics. The “Economic Policy Debate” section has been revised and renamed: “The Role of Government” and current examples of recent government interventions have been added. Also, an appendix covering the basics of graphs has been included.

Chapter 2 Demand and Supply: The Basics of the Market Economy starts with a revised listing of learning objectives. Additional coverage is devoted to how prices affect the quantity supplied in relation to the financial crisis.

Chapter 3 Market Equilibrium and Shifts contains an updated chapter opening vignette that details events of April 2010, like the release of the iPad and the Gulf of Mexico oil spill. A brief mention of the changes in loan standards in relation to the housing boom was added to the “Changes in Financial Markets” section.

Chapter 4 How Businesses Work starts with a revised listing of learning objectives. Figure 4.2 has been deleted, and the remaining features have been renumbered accordingly. The “Spotlight” box on Boeing has been updated and streamlined.

Chapter 5 Competition and Market Power features data updates to the “Spotlight” boxes on the furniture and auto industries. Additionally, the “How It Works” box on well-known brand names has been updated.

Chapter 6 Government and the Economy begins with a new chapter opening vignette about President Obama’s healthcare reform. Coverage

of government intervention in response to the Great Recession is now scattered throughout the chapter. Chapter 18 of the previous edition has been transformed into an appendix called *Delving Deeper into Microeconomics* and is featured at the end of this chapter.

Chapter 7 *The First Step into Macroeconomics* contains four learning objectives; the previous edition's learning objective number four was deleted. Figures 7.4 and 7.5 and Table 7.2 were deleted, and the remaining figures have been renumbered accordingly.

Chapter 8 *Inflation* has substantially revised data throughout. Additionally, updates have been made to the "How it Works" boxes to accurately reflect changes in the economy to housing, air travel, and oil.

Chapter 9 *Growth* features revised learning objectives. Additions to Figure 9.5 show the clear signs of the Great Recession, and a brief discussion has been added to further illustrate this event. Substantial revisions to data are featured throughout. Material on the information revolution and globalization has been added to the "History of U.S. Productivity Growth" section.

Chapter 10 *Business Cycles, Unemployment, and Inflation* features a new section on the Great Recession and its impact on the U.S. economy. The subsection on problems in financial markets has been heavily revised and moved to another location within the chapter. Again, substantial revisions to data are featured throughout. The "How It Works" box on local unemployment has been revised to reflect currency. Figures 10.4 and 10.5 were deleted, and the remaining figures have been renumbered accordingly.

Chapter 11 *Fiscal Policy* begins with a new chapter opening vignette that details a few strategies the government took to combat the Great Recession. The learning objectives have been streamlined. Material on the American Recovery and Reinvestment Act (ARRA) and a new table on major fiscal stimulus legislation from 2008 to 2010 has been added. The "Spotlight" box on the economic impact of military bases has been deleted and replaced with material on the impact of the ARRA. The "Spotlight" box on outsourcing and government spending has been replaced with material on the fiscal stimulus and the buy-American provision.

Chapter 12 *Monetary Policy* starts with an updated chapter opening vignette that discusses the government's response to the financial crisis of 2007–2009. The section on "Ensuring Financial Stability" now details

the Fed's role in the financial crisis. A new section describing the three types of monetary policy tools available to the Federal Reserve has been included. Details have been added about the aftermath of the financial crisis and how the crisis changed the way the Fed reacted. Chapter 19 of the previous edition has been transformed into an appendix, *Delving Deeper into Macroeconomics*, and is featured at the end of this chapter.

Chapter 13 The Financial Markets features added information on the financial crisis in a new section "The Causes of the Financial Crisis." In addition, data detailing the effect of the crisis on the auto industry has been included. The "Spotlight" box on microfinance has been deleted.

Chapter 14 International Trade has substantially revised data throughout, including a number of revised figures. The "Trade Balance" section from Chapter 19 of the previous edition has been folded into this chapter.

Chapter 15 Technological Change now incorporates the affects of the Japanese Fukushima incident and how it impacted the United States. The "How It Works" box on e-commerce has been updated.

Chapter 16 Economics of the Labor Market features updated data to reflect the unemployment statistics of early 2011. Figures 16.3 and 16.11 have been deleted, and the remaining figures have been renumbered accordingly. Updated information has been included in the "Spotlight" box on global movie stars.

Chapter 17 The Distribution of Income has substantially revised data throughout, including a number of revised figures and new data in the chapter opening vignette. The "How It Works" box on the distribution of wealth has been deleted and replaced with a new box titled "Global Catch-Up," which discusses how the rest of the world compares to America's living standard.

Chapter 18 Economics of Retirement and Healthcare was Chapter 20 in the previous edition. This chapter now features an updated discussion of Obama's healthcare plan throughout, including an extended discussion in a new subsection titled "Health Insurance Coverage." A new "Spotlight" box on why Americans don't save more has been added.

Chapter 19 Economics of Energy, The Environment, and Global Climate Change was Chapter 21 in the previous edition. This chapter features substantially revised figures and updated information about nuclear power and the effects of the Fukushima disaster. In addition, "Spotlight" boxes on gasoline tax and windmill pollution have been updated, and a new box on energy-related disasters has been added.