The Economy Today, 15e
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Detailed List of New Features
Every edition of The Economy Today introduces a wealth of new content and pedagogy. This is critical for a text that prides itself on currency of policy issues, institutions, and empirical perspectives. Every page, every example, and all the data have been reviewed for currency and updated where needed. Beyond this general upgrade, this 15th edition offers the following.

36 New In the News Boxes
Price determination is illustrated in Chapter 3 with NCAA ticket scalping, price cuts on Galaxy 7 phones, and the surge in gasoline prices in the wake of Hurricane Matthew. In macro, there are new CBO estimates of the procyclical state and local spending cut forced by the Great Recession (Chapter 11); the effect of tuition hikes on the inflation rate (Chapter 7); President Trump’s hostility to outsourcing (Chapter 6); GAO estimates of the cost of federal regulations (Chapter 16); and Trump's budget proposals (Chapter 11). In micro, the record-breaking Snapchat IPO highlights the role of financial markets in reallocating resources (Chapter 32). Tesla’s new “gigafactory” illustrates the advantages of economies of scale (Chapter 27). Those “bikini barristers” in Everett, Washington, emphasize the importance of product differentiation in monopolistic competition (Chapter 26). And the new tariff on Canadian lumber addresses the realities of trade protection (Chapter 35).

18 New World View Boxes
Israel’s deployment of its “Iron Dome” missile defense system offers a great illustration of public goods. Among the new World Views in macro are China’s 2016 cut in its reserve requirements (Chapter 14), Venezuela’s increasing socialism (Chapter 37), the U.S. 2017 imposition of tariffs on Canadian lumber (Chapter 35), Heritage Foundation’s 2017 global rankings on its Index of Economic Freedom (Chapter 1), and the World Bank’s perspective on widening global inequality (Chapter 5). In micro, California's 2017 tax hike on cigarettes highlights the importance of price elasticity calculations. The pricing of the iPhone 7 and iWatch highlight the central role of price elasticities (Chapter 20). And the latest OPEC deal illustrates the use of price-fixing to attain monopoly profits (Chapter 25). All In the News and World View boxes are annotated and referred to explicitly in the body of the text.
185 New Problems
As in earlier editions, the 15th edition forges explicit links between the end-of-chapter problems and the content of the chapter. Problems require students to go back into the body of the text and use data from the In the News and World View boxes, as well as from standard tables and texts. This strategy greatly improves the odds of students actually reading the boxed material and comprehending the graphs and tables.

60 New Discussion Questions
The discussion questions also require students to make use of material within the In the News boxes and the body of the text. Virtually all of the new Discussion Questions build on such in-chapter content.

6 New “Economy Tomorrow” Features
In pondering the future, the Economy Tomorrow feature at the end of Chapter 14 asks, “Will crowdfunding displace traditional banks?” (a question that gets a negative answer). In micro, we gaze into the future of climate change and explore the methods of prospect for wider adaptation of electrical vehicles (Chapter 20) and the “War on Coal” (Chapter 28).

Chapter by Chapter Changes
Every page of this text has been subjected to review, revision, and updating. The following list gives a thumbnail sketch of the purpose, scope, and revisions of each chapter.

Chapter 1: Economics: The Core Issues introduces the core issues of What, How, and For Whom and the debate over market reliance or government regulation to resolve them. New global rankings on the extent of market reliance are highlighted. President Trump's call for cuts in space exploration and increases in defense spending highlight the guns vs. butter dilemma (opportunity cost), as does North Korea’s continuing food shortage in the midst of an expensive missile program.

Chapter 2: The U.S. Economy: A Global View is intended to give students a sense of how the American economy stacks up to other nations in the world. The completely updated comparisons are organized around the core issues of What, How, and For Whom. The end-of-chapter “The Economy Tomorrow” feature considers the challenges of the United Nations goal for sustainable global development.

Chapter 3: Supply and Demand introduces the core elements of the market mechanism. Samsung’s pricing of the Galaxy S7 illustrate the law of demand. Ticket scalping at the NCAA finals illustrates disequilibrium pricing. Supply/demand shifts are illustrated with gasoline prices in the wake of Hurricane Matthew and oil prices in the wake of Nigerian supply disruptions.

Chapter 4: The Role of Government focuses on the justifications for government intervention (market failures) and the growth of the public sector. Data on tax rates, public opinion about the role of government, state/local bond referenda, and government growth have all been updated. Israel’s “Iron Dome” missile defense system is offered as a classic example of a “public good.”

Chapter 5: National Income Accounting emphasizes the linkage between aggregate output and income and the utility of their measurement. All the GDP data are updated, as well as the historical comparisons of real and nominal incomes. The World View on standard-of-living inequalities between rich and poor nations has been updated as well. So has the contrast between economic and social measure of well-being.

Chapter 6: Unemployment not only introduces the standard measures of unemployment but also emphasizes
the socioeconomic costs of that macro failure. All of the unemployment, labor force participation, and social cost data have been updated.

Chapter 7: Inflation endeavors to explain not only how inflation is measured but also the kinds of socioeconomic costs it imposes. Recent changes in the prices of tuition and other specific goods help illustrate measurement issues. All price and wage series are updated.

Chapter 8: The Business Cycle offers a historical and analytical overview of the nature and origins of cyclical disturbances. The Great Recession of 2008–2009 and its agonizingly slow recovery provide lots of new context. Aggregate supply shifts due to a spate of recent global conflicts are also noted. The core AS/AD model is introduced as a framework for macro analysis.

Chapter 9: Aggregate Demand focuses on the nature and building blocks of the aggregate demand curve. There are six updated In the News features, covering consumer confidence, the Leading Economic Index, cutbacks in private and public investment, and the wealth effect. All data on spending parameters are updated.

Chapter 10: Self-Adjustment or Instability? highlights the core concern of whether laissez-faire macro economies self-adjust or not. The multiplier is introduced and illustrated in the context of the AS/AD model (with sequential, horizontal shifts of the AD curve). New information on the variability of consumption and investment spending is highlighted, as are new CBO perspectives on the causes of the Great Recession.

Chapter 11: Fiscal Policy examines the potential of tax, spending, and income-transfer policies to shift the aggregate-demand curve in desired directions. An explicit, numerical guide for computing the size of an optimal intervention in the context of both output and price variability is introduced (Table 11.3). The broad outlines of President Trump's budget proposals are described and assessed.

Chapter 12: Deficits and Debt not only describes the size and history of U.S. debt, but also emphasizes the critical distinction between cyclical and structural (policy-induced) deficits and the real economic costs and consequences of both deficits and debt. Global comparisons of deficit ratios are provided, along with the latest information on debt ownership. Public anxiety about debt and deficit levels are noted, as well as concerns about Trump budgets. CBO estimates of the size of automatic stabilizers are illustrated.

Chapter 13: Money and Banks focuses on the nature and origins of what we call “money.” The virtual collapse of the Venezuelan currency and the resort to barter helps illustrate the critical role money plays in any economy. M1 and M2 statistics are updated, and the nature of T-accounts is clarified. A new table on interest rates helps illustrate the opportunity costs of holding money. The Economy Tomorrow features the (unlikely) potential of bitcoins to replace government-sanctioned fiat money.

Chapter 14: The Federal Reserve System introduces Janet Yellen as the chair of the Fed and assesses the policy tools at her disposal. The experience with three rounds of quantitative easing is reviewed, and the increasing constraints imposed by shadow banking institutions are noted. There is a new World View on China’s 2016 cut in reserve requirements and updated depictions of the pile-up of excess reserves in U.S. banks. “The Economy Tomorrow” feature looks at crowdfunding as a mechanism for sidestepping the traditional bank system.

Chapter 15: Monetary Policy explores both the theoretical potential and actual impact of Fed policy on macro outcomes. The Fed’s adoption of employment targeting is highlighted, and the effects of quantitative easing are assessed.

Chapter 16: Supply-Side Policy: Short-Run Options emphasizes that demand-focused policies are not the only
Chapter 17: Growth and Productivity: Long-Run Possibilities explores the sources, prospects, and limits of economic growth. New global comparisons of productivity, savings, and economic growth are offered.

Chapter 18: Theory versus Reality is the macro capstone chapter that not only reviews macro problems and policy options but also examines the real-world obstacles that preclude perfect macro outcomes. Recent milestones in fiscal, monetary, and supply-side policy are depicted, along with a “report card” on our macroeconomic performance.

Chapter 19: Consumer Choice introduces the notion of consumer choice by first contrasting socio-psychiatric and economic explanations of consumer behavior. Utility theory, consumer surplus, price discrimination, and consumer choice are all discussed and illustrated. The update on LeBron James’s endorsements underscores the role of advertising on consumer behavior.

Chapter 20: Elasticity explores price, income, and cross-price elasticities with the iPhone 7 launch, 2017 California tax hike on cigarettes, and consumer responses to higher gasoline prices. The role of prices in charting the future adoption of electric vehicles (EVs) is assessed in “The Economy Tomorrow” feature. Ten new problems provide practice in computing elasticities.

Chapter 21: The Costs of Production introduces the production function and emphasizes the relationship between productivity and cost measures. Tesla’s new “gigafactory” illustrates the nature and sources of economies of scale. There are also new statistics on global competitiveness.

Chapter 22: The Competitive Firm depicts the static equilibrium behavior of the perfectly competitive firm, using the catfish industry as the core example. General Motor’s temporary closure of its Detroit factories helps illustrate the differences between shutdown and exit decisions.

Chapter 23: Competitive Markets is a unique assessment of the dynamics of competitive markets—the heart and soul of market economies. The core story focuses on the evolution of the computer market, emphasizing the importance of entry, innovation, and exit to competitive outcomes. Illustrations include the tablet market, India’s telecom market, and even long-run equilibrium in the catfish market.

Chapter 24: Monopoly not only examines the unique structural features of monopoly but also offers a unique, step-by-step contrast between competitive and monopoly behavior and outcomes. The American and European antitrust complaints against Google and Microsoft illustrate the nature of entry barriers and monopoly exploitation in the tech world.

Chapter 25: Oligopoly emphasizes how common oligopoly is in familiar product markets and the unique profit opportunities and coordination problems that result. OPEC’s explicit price and output agreements illustrate outright price-fixing, while other industries use various entry barriers (e.g., input lockups, shelf-space rentals, distribution control, legal challenges) to thwart competition and increase profits.

Chapter 26: Monopolistic Competition stresses the differences in structure, behavior, and outcomes of this common industry category. The introduction of “Roasteries” at Starbucks and “bikini barristers” in Everett, Washington, illustrate the need for continuous product differentiation. New estimates of the dollar value of
specific brands underscores the importance of brand recognition and loyalty.

Chapter 27: Natural Monopolies: (De)Regulation? goes beyond the depiction of this unique industry structure to explore the regulatory dilemmas that result. Quite simply, how can regulators compel natural monopolies to deliver the advantages of economies of scale without stifling innovation and decreasing efficiency? And how much will regulation cost? These questions are illustrated in the trucking, airline, cable, and electricity industries. The willingness of Nevada casinos to pay to escape that state's power monopoly illustrates how oppressive monopoly pricing can be.

Chapter 28: Environmental Protection is one of the world's great challenges, as the 2014 UN Climate Summit emphasized. This chapter explores the role of market incentives in environmental degradation and assesses the various policy options for inducing more eco-friendly behavior. The EPA's “war on coal,” the battle over the Indian Point nuclear facility, and proposed “carbon taxes” offer timely illustrations of the theoretical and policy issues in the environmental debates.

Chapter 29: The Farm Problem just won't go away. Low price and income elasticities combine with the vagaries of weather to keep food prices volatile. The Farm Act of 2018 revisits the new price floors and subsidies designed to shelter farmers from market volatility.

Chapter 30: The Labor Market has been roiled in recent years by structural and cyclical forces. This chapter examines the underpinnings of labor demand and supply and then assesses the sources of wage inequalities. Proposals to raise the federal minimum wage are analyzed, as are the sky-high salaries of corporate CEOs.

Chapter 31: Labor Unions have lost ground in the private sector but have gained significant power in the public sector (especially in colleges and secondary schools). The parameters of collective bargaining are spelled out and then illustrated with the 2017-2021 contract for the National Basketball Association players. The 2005–2009 Silicon Valley conspiracy to hold down tech wages offers a vivid example of oligopsony power at work.

Chapter 32: Financial Markets have been front-page news since the onset of the Great Recession. This chapter emphasizes the economic role that stock and bond markets play in reallocating resources to new products and processes. Examples range from the financing of Columbus's New World expedition to Snapchat's $3 billion IPO in March 2017. The use of crowdfunding as a source of start-up financing is discussed.

Chapter 33: Taxes: Equity vs. Efficiency continues to be a staple of political debate. Should the “rich” pay more taxes, as President Obama urged? Or should tax rates be reduced to encourage more investment and innovation as President Trump proposed? The nature and terms of the equity/efficiency trade-off are examined, and illustrated with a comparison of the Clinton and Pence tax returns for 2015 (Trump's tax return was not available). New data on global tax rates and tax migrations are provided.

Chapter 34: Transfer Payments: Welfare and Social Security continues the discussion of equity/efficiency trade-offs, emphasizing the work disincentives inherent in all income transfer programs. New data on the redistributive impact of transfers underscores their importance for equity, and the 2017 formula for Social Security benefits highlights the efficiency concern.

Chapter 35: International Trade not only examines the theory of comparative advantage, but also investigates the opposition to free trade and the impact of trade barriers that result. The latest data on trade flows and trade balances (both aggregate and bilateral) are injected. The new U.S. tariff on Chinese steel and Canadian lumber help illustrate the winners and losers from trade barriers.
Chapter 36: International Finance explains how international exchange rates are determined and why they and the 2016-2017 collapse of the Venezuelan bolivar fluctuate. The depreciation of the Ukrainian hryvnia in the wake of Russia’s invasion and the 2016-2017 collapse of the Venezuelan bolivar provide new perspectives on currency fluctuations. The loss Serena Williams incurred on her Wimbledon prize money when English voters elected to exit the EU and the pound tumbled is a nice illustration of the distributional effects of currency fluctuations.

Chapter 37: Global Poverty is receding, but billions of people remain desperately poor around the world. This chapter describes the current dimensions of global poverty and the World Bank’s new (2017) antipoverty goal. Emphasis is on the importance of productivity advance and the policies that accelerate or restrain that advance. A new World View on Venezuela’s economic contraction provides a relevant illustration.