

Preface

What an unforgettable start we are off to in the 2020s: A severe public health crisis and the ensuing economic uncertainty, a contentious presidential election, and a renewed fight for civil rights and racial equality in response to several high-profile murders have all made it a time unlike any other that today's college students are likely to have experienced. Questions of equity, inclusion, and economic justice are on the minds of students as well as educators. The seventh edition of *Introduction to Economics (combined version)* from BVT Publishing attempts to facilitate these conversations, both explicitly and implicitly. This edition brings in new and differing points of view on these issues as well as alternative and heterodox perspectives from the vast and expanding field of economics. In a particular way, this edition attempts to address the need for more diversity in the field of economics. It does this by highlighting people from diverse backgrounds, both in small ways (such as in photographs and in-text examples) and in more obvious ways (such as by spotlighting the work of women economists and economists of color).

Today, both students and instructors rely on the internet as their primary source of information about current economic events. They still need a good textbook to provide a framework for organizing all the information that is available, but that textbook needs to mesh with the material available from online news sources, blogs, and social media.

Both authors have experience writing blogs and for other online sources. They have worked hard to make the language more active with shorter sentences, shorter paragraphs, and shorter chapters. The result is that this latest edition of the book reads less like a series of journal articles and more like something students might actually want to read.

In addition to a more inviting presentation, much of the content is new, including new case studies and examples throughout the book. Topics range from the latest controversies over climate change to non-fungible tokens (NFTs) to trends in poverty and income distribution.

Finally, this edition recognizes the fact that instructors no longer rely solely on blackboards and photocopied handouts as teaching aids. Most instructors now regularly use slideshows, smartboards, and videos in class along with course websites to help students with their studying between classes.

One important aid to e-teaching and e-learning is a complete set of PowerPoint slides, which include all of the graphs and tables from each chapter, plus other relevant material that is available as a supplement to *Introduction to Economics (combined version)* from BVT.

New to This Edition

The seventh edition has been thoroughly updated. All data are the latest numbers available at the time of writing, and most of the tables and figures have been tweaked for clarity and precision. In addition to those revisions, new content has been added to the chapters themselves in an effort to modernize the material.

In **Chapter 1**, influential women, Millicent Fawcett and Harriet Martineau, are now discussed alongside David Ricardo and Adam Smith, respectively, in the *Who Said It? Who Did It?* vignettes. In addition, a discussion of biases in economics has been added, and new examples have been added throughout, including a reference to the devastating winter storm that hit Texas in February 2021.

New examples have been added to **Chapter 2** as well, including a discussion of changing demand during the COVID pandemic, a new *Economics in the News* feature about the 2020–21 automobile microchip shortage, and a new *Case for Discussion* about NFTs. Extra advice to students for learning about supply has been added as well. Finally, Mary Paley Marshall joins her husband Alfred Marshall in the *Who Said It? Who Did It?* vignette in the chapter.

Chapter 3 has been updated throughout, just as the other chapters have been, and some additional tips for calculating and interpreting elasticities are now included.

Chapter 4's *Who Said It? Who Did It?* vignette now discusses the work of Sendhil Mullainathan alongside Daniel Kahneman. The chapter has also been updated to include a discussion of heterodox approaches to economics. The *Case for Discussion* on organ donation has been updated as well.

A new addition to an *Economics in the News* feature in **Chapter 5** discusses Katy Milkman's recent work on the framing of public health messages. The *Case for Discussion* has been updated to focus on Seattle's 2018 soda tax. And a brief comparison of profit and producer surplus has been added.

That comparison of profit and producer surplus receives more attention in **Chapter 6**, where it is paired with a new example of the fixed and variable costs of a private-practice lactation consultant. A new figure has been added to the chapter to demonstrate the differing returns to scale that occur along a long-run average cost curve.

New examples can be found throughout **Chapter 7**, including rising lumber prices during 2020 and 2021, and the exit and shutdown decisions of restaurants during the COVID-19 pandemic—the topic of a new *Economics in the News* feature. A new figure demonstrates for students the relationship between marginal cost, marginal revenue, and profit. Finally, the *Case for Discussion* on oil production in the US has been thoroughly updated as well.

Chapter 8 also has new examples throughout, and an expanded discussion of the efficiency and fairness of price discrimination. The *Economics in the News* feature about China's rare earth elements monopoly and the *Case for Discussion* about public transit have both been brought up to date. Likewise, the *Case for Discussion* in **Chapter 9**, which focuses on deregulation in the airline industry, has also been updated. A new figure summarizing the determinants of market structure has also been added.

The *Who Said It? Who Did It?* vignette in **Chapter 10** has been updated to pivot to the work of Joan Robinson after discussing her contemporary Joseph Schumpeter. The chapter also has been modernized with the inclusion of new examples, including the 2021 merger of Fiat with PSA Group and the regulation of COVID-19 vaccines. A new *Economics in the News* feature discusses the regulation of Big Tech companies, and a new *Case for Discussion* addresses the regulation of driverless cars.

Chapter 11's figures and data have all been updated, and a new *Applying Economic Ideas* feature discusses a growing trend in employee benefits: the elimination of vacation days.

In **Chapter 12**, Walter E. Williams now joins Friedrich von Hayek in the *Who Said It? Who Did It?* vignette. The *Economics in the News* feature on the Affordable Care Act has been updated, and a new *Economics in the News* feature reviews speculation and the manipulation of GameStop's stock price in 2021.

A completely overhauled section of **Chapter 13** modernizes the textbook's discussion of the economics of discrimination. A new section in the chapter explores noncompete agreements and occupational licensing, using as an example an *Economics in the News* feature on licensing and certification for lactation consultants. The new *Case for Discussion* at the end of the chapter addresses the lack of diversity by gender in economics and Claudia Goldin's related research.

Another significantly revised chapter is **Chapter 14**. Not only are all of the data updated, but several additions make the material particularly relevant, with new or expanded discussions that address the following: the 2021 ProPublica report on the low (legal) tax bills of billionaires; 80:20 ratios as a means of understanding changing income inequality over time; the Tax Cuts and Jobs Act of 2017 and its impact on income inequality; the minimum wage research of recent Nobel recipient David Card; enhanced unemployment benefits during the COVID-19 pandemic; the People's Policy Project's criticism of the effectiveness of the earned income tax credit; the child tax credit changes in 2021; and universal basic income. The chapter ends with a new *Case for Discussion* about Seattle's remarkable \$16.69 minimum wage.

Chapter 15 updates an already modern discussion of the economics of the environment by deepening the discussion of the impacts of climate change on income inequality and refining the discussion of carbon pricing. A brief section describing the tenets of the "Green New Deal" has also been added.

Finally, **Chapter 16** contains updated data as well as a reference to Chinese currency manipulation. Two new *Applying Economic Ideas* features have been added as well: one focuses on the US-Mexico-Canada Agreement that replaced NAFTA and the other on the impacts of Buy America provisions.

Chapter 17 has been retitled “What Do We Want from the Economy?” and includes more discussion of the financial crisis, the climate crisis, and the COVID-19 public health crisis. In addition, Kate Raworth joins John Stuart Mill in a *Who Said It? Who Did It?* box on the future of economic growth. The chapter introduces the increase in inflation that began in 2021, which is discussed more thoroughly later in the text. And of course, all the data has been updated throughout.

In addition to updated data, **Chapter 18** also includes updated figures. In particular the circular flow diagrams have been visually simplified to make them easier for students to understand. Modern monetary theory (MMT), which is discussed later in the text, is introduced in Chapter 5. The *Who Said It? Who Did It?* feature on John Maynard Keynes now also discusses heterodox economist Mariana Mazzucato in the context of Keynes’s warning about being a slave to defunct economic ideas.

All of the data in **Chapter 19**, “Measuring Economic Activity,” has of course been thoroughly updated. The chapter now covers the rapid rise in consumption spending on goods, as opposed to services, during the COVID pandemic and its effect on inflation in the aftermath.

Chapter 20 includes updated data and a new brief discussion of the current state of the financial system and whether it is safer now than it was before the financial crisis. The most significant update to this chapter, however, is the new *Case for Discussion* that focuses on the problems associated with providing banking services to marijuana-related businesses (MRBs).

Since the 6th edition of the textbook, the definition of the M1 money supply has changed to include savings deposits, and **Chapter 21** has been rewritten, with updated data, to reflect this. A new *Case for Discussion* at the end of the chapter asks a question that might be on students’ minds: Is cryptocurrency money?

Chapter 22 has been simplified, with several small sections removed to improve the flow of the material. In addition, the section on Chinese currency manipulation has been removed. The data have been updated throughout. In contrast, **Chapter 23** remains largely intact, with updated data throughout. It also contains several timely references to the COVID pandemic and its impact on aggregate demand and aggregate supply.

The data in **Chapter 24** have been updated, and a new *Applying Economic Ideas* vignette that uses the game of pool as a metaphor to explain how monetary policy works has been added. The *Who Said It? Who Did It?* feature on Milton Friedman and monetarism is more thorough and inclusive, thanks to the addition of Anna Schwartz. Some of the material has been tightened up to improve readability, and the 2021 inflation is now discussed as well.

The COVID-19 pandemic figures significantly in the updates to **Chapter 25**, in the form of a discussion of the fiscal policy response. That discussion is supported by a new *Applying Economic Ideas* vignette on the Paycheck Protection Program (PPP). To make room for this additional material, and to sharpen the focus of the chapter, some material related to the nuances of the budget process and material related to tax expenditures has been removed. The discussion of the evaluation of the fiscal policy stance has been updated to include a comparison of 2019 (prepandemic) and 2020 (pandemic). All data have been updated as necessary.

In **Chapter 26**, the *Applying Economic Ideas* vignette on rebalancing the Chinese economy has been removed to make room for a new *AEI* vignette discussing the suggestion that the US government should sell assets to pay down its debt. The discussion of long-run fiscal sustainability has been thoroughly updated based on recent data. The chapter now ends with a summary of the guidelines that should inform any policies that aim to promote fiscal sustainability.

Finally, **Chapter 27** has been updated with current data and clearer diagrams. More significantly, however, the chapter now dedicates significant attention to modern monetary theory (MMT), including a new *Who Said It? Who Did It?* feature on Stephanie Kelton. The *Who Said It? Who Did It?* feature on A. W. H. Phillips has been removed in order to make room, although the discussion of the Phillips curve remains. The section on inflation now ends with a substantial discussion of the 2021–2022 inflation in the US.

We think that these updates, in addition to many new examples, new perspectives, and stylistic tweaks—make this textbook one of the most modern and forward-thinking principles of economics

textbooks on the market today. We hope that the students and teachers who use the book will benefit from these revisions.

Acknowledgments

As always, we thank the entire publishing and editorial staff of BVT Publishing for their highly professional support. They are a pleasure to work with, and we hope that all students and instructors who use this book benefit as much as we have from their unique and innovative approach to textbook publishing. Enjoy your teaching and learning!