

# Preface

This book is designed for a one-semester issues-based general education economics course, and its purpose is to interest the nonbusiness, noneconomics major in what the discipline of economics can do. Students of the “issues approach” will master the basic economic theory necessary to explore a variety of real-world issues. If this is the only economics class they ever take, they will at least gain enough insight to be able to intelligently discuss the way economic theory applies to important issues in the world today.

Until the first edition of this book was published, instructors who chose the issues approach to teaching a one-semester general economics course had to compromise in one of the following ways: they could (1) pick a book that presents the issues but that is devoid of economic theory; (2) pick a book that intertwines the issues with the theory; (3) ask students to buy two books; or (4) place a large number of readings on library reserve.

Each of these alternatives presents problems. If the course is based entirely on an issues text, students will leave with the incorrect impression that economics is a nonrigorous discipline that offers opinions devoid of a theoretical basis. A book that intertwines issues and theory implicitly assumes that all the issues are relevant to all students in the course. In fact, some issues are not relevant to some students and others are relevant only when the issue makes news. For example, at Syracuse my students never understood why farm price supports were interesting, whereas at Indiana State no student that I have met has ever lived in a rent-controlled apartment. Other issues are of interest only at particular times. Oil prices were of little consequence to students during the bulk of the 1990s, but students are very interested today. Student interest in Social Security rose during 2005 when President Bush pushed his version of reform but waned as his approval ratings did. Similarly, the minimum wage was of interest to students in 2007 as the new Democratic Congress passed an increase. Finally, some issues are interesting for a time and then fade, like the interest in antitrust statutes as they applied to Microsoft’s behavior in the 1990s. The new Seventh Edition does not include the Antitrust chapter nor does it include the chapters on Head Start, Rent Control, the IMF, The Cost of War, or the Economics of Terrorism. These chapters remain on the website ([www.mhhe.com/guell7e](http://www.mhhe.com/guell7e)) and are available for your use. Instead, the new Seventh Edition offers students an ability to access timely material on whether the “Fiscal Sky Is Falling” and whether the “Japan’s Lost Decade” could occur in the United States. The Patient Protection and Affordable Care Act are given an entire chapter.

The problem associated with using multiple books is the obvious one of expense. Having multiple reserve readings, still a legitimate option, requires a great deal of time on the part of students, teachers, and librarians, and it is usually not convenient for students. The Seventh Edition of this book meets both student and instructor needs simultaneously. By regularly updating the material, regularly adjusting the portfolio of topics, and using a web platform for “white hot” issues and as an archive of discarded issues, this book allows instructors of economics to keep students interested.

## HOW TO USE THIS BOOK

*Issues in Economics Today* includes 8 intensive core theory chapters and 35 shorter issues chapters. The book is designed to allow faculty flexibility in approach. Some colleagues like to intertwine theory and issues while others like to lay the theoretical foundation first before

heading into the issues. Some faculty will choose to set a theme for their course and pick issues consistent with that theme while others will let their students decide what issues interest them. There is no right way to use the book except that **under no circumstances is it imagined that the entire book be covered.**

I believe that an issues-based course must have the virtue of being both timely and flexible. As a result, this book presents a wealth of issues from which instructors or students can pick and choose. This book also has the benefit of having timely web-available chapters that allow students to study issues as they happen. Between the time the first edition went to press and the second edition became available, the accounting scandals of 2002 occurred. During the book's first year the United States went to war in Iraq. Before the third edition hit college bookstores, the housing bubble was of significant concern. It began its deflation as the fourth edition was created. Chapters discussing the economic impact of these events were available within a month of these events. I am committed to providing balanced and timely chapters for the web so that instructors and students have the latest available information.

There are 35 issues chapters that I have divided into the following categories: Macroeconomic Issues (Chapters 9–16), International Issues (Chapters 17–20), Externalities and Market Failure (Chapters 21–22), Health Issues (Chapters 23–25), Government Solutions to Societal Problems (Chapters 26–29), Price Control Issues (Chapters 30–32), and Miscellaneous Markets (Chapters 33–43). These groupings will be helpful as you navigate through the Contents looking for a particular topic. To help you decide which issues chapters to cover, see the table on pages xxvi–xxvii, entitled “Required Theory Table.” It shows at a glance which theory chapters need to be covered before pursuing each of the issues chapters. On page xxv, the table entitled “Issues for Different Course Themes” includes my recommendations for courses that focus on social policy, international issues, election year issues, or business.

The format of this book, as well as the tools I've mentioned, are meant to provide you the maximum flexibility in choosing issues chapters for your course.

## CHANGES TO THE SEVENTH EDITION

In its Seventh Edition, *Issues in Economics Today* introduces three new chapters that examine the European debt crisis and income and wealth inequality. The health care chapters incorporate and integrate the impact of the Patient Protection and Affordable Care Act and the education and textbook chapters are reorganized into K–12 and college and university education.

All chapters have been evaluated for currency and accuracy. A detailed listing of chapter by chapter changes is provided here for your convenience.

*Chapter 1:* A more thorough discussion of the importance of constructing a realistic counterfactual when evaluating policy wisdom is offered.

*Chapter 2:* A thorough reexamination of the presentation is offered in response to specific comments by solicited reviewers.

*Chapter 3:* A more recent example is used to discuss elasticity regarding energy use.

*Chapter 4:* The definition of diminishing returns is augmented to offer a reason, fixed capital, for its prevalence in production.

*Chapter 5:* More modern examples of monopolistic competition and oligopoly are offered.

*Chapter 6:* Content and data updates have been made as needed to reflect the most current information available. The Keystone pipeline example is offered to illustrate the problem associated with focusing too narrowly on real GDP and the cost of the environment.

*Chapter 7:* An insert on the use of Microsoft Excel functions and their value is offered.

*Chapter 8:* An admonition to avoid memorization is offered regarding the understanding of aggregate supply and aggregate demand determinants.

*Chapter 9:* Content and data updates have been made as needed to reflect the most current information available. A summary and evaluation of the effectiveness of the Obama stimulus is offered.

*Chapter 10:* Content and data updates have been made as needed to reflect the most current information available. A display of the dramatic transition in the data on excess and required reserves is offered as well as a discussion of the process by which the massive infusion of liquidity will be undone by the Federal Reserve once a decision is made to do so.

*Chapter 11:* Content and data updates have been made as needed to reflect the most current information available. More modern references are made to logrolling.

*Chapter 12:* Content and data updates have been made as needed to reflect the most current information available. Reference is made to the 2013 sequester.

*Chapter 13:* Content and data updates have been made as needed to reflect the most current information available.

*Chapter 14:* An analysis of the impact of the extraordinary monetary stimulus regarding the housing market is offered.

*Chapter 15:* No substantial changes made.

*Chapters 16–17:* Content and data updates have been made as needed to reflect the most current information available.

*Chapter 18:* Content and data updates have been made as needed to reflect the most current information available. An analysis of the contention that the Chinese are engaging in currency manipulation and the counter-contention that the United States is as well is offered.

*Chapter 19:* is a new chapter focusing on the European debt crisis.

*Chapter 20–21:* Content and data updates have been made as needed to reflect the most current information available.

*Chapter 22:* A thorough reexamination of the presentation is offered in response to specific comments by solicited reviewers.

*Chapter 23–25:* Content and data updates have been made as needed to reflect the most current information available. A thorough integration of the Patient Protection and Affordable Care Act replaces separate treatment of various health economics issues.

*Chapter 26:* No substantial changes made.

*Chapter 27–28:* Content and data updates have been made as needed to reflect the most current information available.

*Chapter 29:* is a new chapter focusing on the income and wealth inequality.

*Chapter 30–31:* Content and data updates have been made as needed to reflect the most current information available.

*Chapter 32:* No substantial changes made.

*Chapter 33–34:* The chapters are reorganized around K–12 (Chapter 33) education and college and university education (Chapter 34). Content and data updates have been made as needed to reflect the most current information available.

*Chapter 35–36:* Content and data updates have been made as needed to reflect the most current information available.

*Chapter 37:* Content and data updates have been made as needed to reflect the most current information available. The impact of the post-2012 election changes to the tax code is included. References are made regarding the creation of a higher marginal tax rate for high incomes and the resolution to the long-standing issue of the alternative minimum tax.

*Chapter 38:* Content and data updates have been made as needed to reflect the most current information available.

*Chapter 39:* Content and data updates have been made as needed to reflect the most current information available. References to economic issues exemplified by international soccer leagues are offered.

*Chapters 40–43:* Content and data updates have been made as needed to reflect the most current information available.

## FEATURES

- *A conversational writing style* makes it easier for students not majoring in economics to connect with the material. The book puts students at ease and allows them to feel more confident and open to learning.
- *Chapter Outline and Learning Objectives* set the stage at the beginning of each chapter to let the student see how the chapter is organized and anticipate the concepts that will be covered.
- *Key Terms* are defined in the margins and recapped at the end of the chapters.
- *Summaries* at the end of each chapter reinforce the material that has been covered.
- *Issues Chapters You Are Ready for Now* are found at the end of each theory chapter, so students can go straight to the issues chapters that interest them once they've mastered the necessary theoretical principles.
- *Quiz Yourself* presents questions for self-quizzing at the end of each chapter.
- *Think about This* asks provocative questions that encourage students to think about how economic theories apply to the real world by putting themselves in the economic driver's seat. For example, one Think about This asks, "Suppose you buy a new car. What is the opportunity cost of doing so?" This feature facilitates active learning so that the students will learn the concepts more thoroughly.
- *Talk about This* includes questions designed to trigger discussion.
- *For More Insight See* sends the students to websites and publications to find additional material on a given topic. Since economic issues are particularly time-sensitive, this feature not only helps students learn to do research on the web, but also keeps the course as fresh and current as today's newspaper.

- *Short Answer Questions* are included so that faculty may ask students questions that will help faculty assess student understanding of complex economic phenomena.

## SUPPLEMENTS FOR THE INSTRUCTOR

The following ancillaries are available for quick download and convenient access via the online learning center for this book at [www.mhhe.com/guell7e](http://www.mhhe.com/guell7e) and are password-protected for security. Additionally, the Digital Image Library containing all graphs and tables from the text and grading guidelines for the web-based issues questions are also included for your convenience.

### **Instructor's Manual**

In addition to a traditional outline of each chapter's content and updated web references to data sources for each chapter, the Instructor's Manual offers key-point icons to emphasize the importance of particular concepts. Another distinctive feature is that each figure is broken into subfigures with explanations that can be offered at each stage. Solutions to the end of chapter questions are also provided.

### **Test Bank**

The Test Bank includes 80–200 multiple-choice questions for the core theory chapters and 60–100 multiple-choice questions for the issues chapters. These questions test students' knowledge of key terms, key concepts, theory and graph recognition, theory and graph application, and numeracy, as well as questions about different explanations given by economists regarding particular economic phenomena.

### **PowerPoint Presentations**

Narrated PowerPoint Presentations accompany the text, including the web chapters (Are Trade Agreements Good for Us?, the IMF, the Economics of War, the Economics of Terrorism, Antitrust, Head Start, and Rent Control). The Seventh Edition also includes revised complimentary instructor PowerPoints, which can be downloaded from the book's website.

## SUPPLEMENTS FOR THE STUDENT

### **Study Guide**

The Study Guide, like the text, is divided into theory chapters and issues chapters, with a slightly different format for each. The theory chapters include the major points of the chapter, a chapter outline, key terms with definitions, and problems. This is followed by a self-test of multiple-choice and true/false questions. The issues chapters include the major points of the chapter, a chapter outline, key terms with definitions, discussion questions, and web-based questions. Additional material to correspond with the Kick It Up a Notch sections is now available. Answers to all problems are included.

### **Online Learning Center [www.mhhe.com/guell7e](http://www.mhhe.com/guell7e)**

A variety of study aids are offered on the student side of the website. These aids include chapter outlines, narrated PowerPoint Presentations, web-based issues questions, and the Study Guide.