

## NOTE ON DIFFERENCES FROM THE FIRST EDITION

The first edition of *Principles in Context* was published in 2014; much has happened in the world since then—and many real-world events have been reflected in new ways of understanding and teaching about the economy. In addition to updating data in the text, tables, figures, and boxes, the second edition of *Principles in Context* has been extensively revised and refreshed in response to new economic developments. Some of the most significant revisions include:

- **Chapter 0 (Economics and Well-Being):** A figure showing distribution of foreign aid by recipient country has been added.
- **Chapter 3 (Markets and Society):** An expanded discussion of the informal sphere focused on developing countries; and a new concluding section on “Assessing Market Outcomes” have been added.
- **Chapter 7 (International Trade and Trade Policy):** More detail on calculating opportunity costs is provided; a new section on trade and the environment; new material on the redistributive impacts of trade; a new section on “Globalization Data and Trends.”
- **Chapter 8 (Economic Behavior and Rationality):** A new section on neuroeconomics; a new concluding section that focuses on policy inferences from behavioral economics.
- **Chapter 9 (Consumption and Consumer Society):** Expanded discussion of the relationship between income and well-being.
- **Chapter 10 (Markets for Labor):** New material on wage discrimination by race and gender; an expanded section on “Labor Markets and Immigration”
- **Chapter 11 (Economic and Social Inequality):** More international data on inequality, including a new section on global inequality; a new discussion of the Kuznets curve

hypothesis; new material on the role of transfers in reducing inequality; a new section on “Addressing Inequality in Developing and Transitional Countries.”

- **Chapter 12 (Taxes and Tax Policy):** An expanded discussion of the relationship between taxes and economic growth.
- **Chapter 14 (Common Property Resources and Public Goods):** New material on climate change policy; a new section on “The Economics of Renewable Energy.”
- **Chapter 18 (Markets with Market Power):** An expanded discussion of payoff matrices; a new concluding section on “Market Power, Well-Being, and Politics.”
- **Chapter 21 (Macroeconomic Measurement: Environmental and Social Dimensions):** Updated treatment of the Genuine Progress Indicator, the evaluation of unpaid work and of the environment, and Green GDP measures.
- **Chapter 22 (The Structure of the U.S. Economy) and Chapter 23 (Employment, Unemployment and Wages):** Thoroughly updated chapter content, while retaining the same basic structure.
- **Chapter 24 (Aggregate Demand and Economic Fluctuations):** The term “aggregate expenditure” is introduced for the construction of the Keynesian model, with an explanation that we will return to the broader term “aggregate demand” when we introduce price changes and inflation in Chapter 28. Boxes have been updated to relate to recent economic developments in the areas of consumption and investment.
- **Chapter 25 (Fiscal Policy):** Updated discussion of fiscal policy to include more recent developments such as the Trump tax cuts.

- **Chapter 26 (Money, Banking, and Finance) and Chapter 27 (The Federal Reserve and Monetary Policy):** Increased emphasis on credit money; new material on the changing Fed policy under Chairs Yellen and Powell.
- **Chapter 28 (Aggregate Supply, Aggregate Demand, and Inflation):** New material on the aggregate supply curve to represent the experience of deflation; expanded discussion of the European experience as well as of changing policies in the U.S. in response to a recovering economy.
- **Chapter 29 (The Global Economy and Policy):** Updated treatment of open-economy macroeconomics, including a focus on the Eurozone crisis and U.S./China trade and investment flows.
- **Chapter 30 (Financial Instability and Economic Inequality):** Adds a treatment of the Minskian theory of financial crises, contrasting this with the efficient markets hypothesis; new material on the causes and consequences of inequality, and the changing distribution of economic gains among income sectors, is added including recent data from studies by Piketty and Saez.
- **Chapter 31 (Debt and Deficits):** Updated data and information on deficits and debt, including two new boxes on social security and the impacts of the 2017 tax cuts; new section on “twin deficits” (fiscal and trade).
- **Chapter 32 (How Economies Grow and Develop):** More material on dependency theory, global inequality, and sustainable development goals.
- **Chapter 33 (Growth and Sustainability in the Twenty-First Century):** More discussion of theories of sustainability, ecological footprint analysis, and recent developments in

macro-level environmental issues such as climate change; updated analysis of green economy scenarios and economic incentives for sustainability.