

Macroeconomics in Context, Fourth Edition

Note on Differences from the Third Edition

The third edition of this book was published in 2018; 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 macroeconomy. In addition to updating data in the text, tables, figures, and boxes, the fourth edition of *Macroeconomics in Context* has been extensively revised and refreshed in response to new macroeconomic developments.

In Part I, Chapter 0 retains the same innovative data, all updated. The graph on life expectancy has been replaced with data on the more comprehensive index on quality of health care systems across countries. Also, data on internet users has been deleted and a new graph on gender gap index has been added to this chapter. The three introductory chapters in the third edition have now been cut down to two chapters, presenting a more concise discussion on the introductory topics. Chapter 1 now includes discussion on key economic activities and the five types of capital, which was presented in Chapter 3 in the third edition. The chapter also discusses some impacts of the COVID-19 pandemic and puts increased focus on issues such as inequality, environmental sustainability, and the role of government, initiating a narrative that will continue in various places throughout the book. In Chapters 2, the discussion on economic models has been made more concise. The discussion on market institutions now appears in Chapter 2. Chapter 3 is largely unchanged, presenting the detailed supply and demand analysis which appeared in Chapter 4 in the third edition. Note that starting with Chapter 3, the chapter numbers in the fourth edition are one less than the chapter numbers in the third edition. This provides for a more compact introduction in Chapters 1 and 2, but the order of the following chapters has not been changed.

In Part II, Macroeconomic Basics, Chapter 4 on basic national income analysis is largely unchanged except for updated material on applications including the recovery from the 2020 recession, while Chapter 5 on alternative approaches includes updated research on various well-being indicators, expanded description of new indices related to the Human Development Index, and some discussion on the impacts of COVID-19 on non-market work and gender inequality. Chapters 6 and 7 on the structure of the U.S. economy and the labor market have been thoroughly updated, while retaining the same basic structure. Discussion on the impact of the pandemic on various economic sectors and on labor market outcomes has been added to these chapters.

In Part III on macroeconomic theory and policy, Chapter 8 retains the same explanation of the derivation of “aggregate expenditure” in the Keynesian model (we return to the broader term “aggregate demand” when we introduce price changes and inflation in Chapter 12). Boxes in Chapter 8 have been updated to discuss the 2020 recession and

subsequent recovery. Chapter 9 likewise updates discussion of fiscal policy to include the Biden administration's infrastructure and social investment spending.

Chapters 10 and 11, on money and monetary policy, include discussion of cryptocurrencies, pension fund investments, fiduciary rules, and recent changes in the definition of the M1 money supply measure. The discussion on financial instability that appeared in Chapter 15 in the third edition now appears in Chapter 10, and the description of the 2008 financial crisis is now presented as an Appendix to Chapter 10. Chapter 11 includes treatment of negative interest rates, "modern monetary theory", and the return of significant inflation in 2021-2022. Chapter 12, on Aggregate Supply, Aggregate Demand, and Inflation, goes into more detail on recent inflation and policy responses, differentiating between cost-push and demand-pull inflation, and explaining how advocates of contrasting theoretical perspectives interpret the recent inflation experience. Chapter 13 likewise updates treatment of open-economy macroeconomics, including discussion of transnational corporations and international supply chain problems, varying policy responses to the pandemic, and emerging debt problems in developing nations.

In Part IV on issues and applications, Chapter 14 now focuses exclusively on the issue of economic and social inequality. (The sections of the former Chapter 15 dealing with financial instability now appear in Chapters 10 and 11). Chapter 14 has been thoroughly revised to include recent data on inequality in the U.S. and across countries. A new section on labor market discrimination has been added and the discussion on causes of inequality and policies to respond to inequality has been updated. A topic box focuses on the effect of the COVID-19 crisis in exacerbating pre-existing inequality. Chapter 15 includes updated information and data on deficits and debt, with a focus on recent increases in the U.S. national debt, resulting both from the Trump tax cuts and pandemic-related spending. Chapter 16 includes more material on poverty measures, differing theories on development, the impact of COVID on sustainable development goals and a new box on development aid from China. Chapter 17, Growth and Sustainability in the Twenty-First Century, includes more discussion of recent developments in macro-level environmental issues such as population growth, forest loss, and climate change. It presents updated analysis of "green growth", limits to growth, and degrowth, and economic policies for sustainability including recent green infrastructure investment such as expanding renewable energy, modernizing the electric grid, upgrading water systems, and promoting climate resilience.