

Essentials of Economics in Context Second Edition

Notes on Differences from the First Edition

To provide a better theoretical sequence, the chapter on “The Global Economy and Policy”, which was Chapter 14 in the first edition, now appears as Chapter 13, immediately following other macroeconomic theory chapters. The former Chapter 13, “Financial Instability and Economic Inequality” has been replaced by a new Chapter 14 focused specifically on “Economic Inequality,” including Section 5 on “Financialization and Inequality”. Other financial instability topics formerly covered in Chapter 13 now appear in Chapter 9 (section 4.1, “Changing Views on Macroeconomics”) and Chapter 11 (section 2.1, “The Financial Sector”).

All data and figures in the Second Edition have been thoroughly revised to reflect the most up-to-date information. Hundreds of new references incorporate up-to-date research on topics such as behavioral economics, economic inequality, macroeconomic policy, labor economics, national accounting, and environmental quality, and all topical boxes have been updated. Other major revisions include:

- The first edition, published in 2021, only briefly mentioned the COVID-19 pandemic and its economic impacts. This edition discusses the pandemic’s effects on numerous issues including labor markets, inflation, and inequality.
- The text includes a new chapter devoted entirely to economic inequality (Chapter 14).
- The second edition has a more international focus, with greater emphasis on topics outside of the United States.
- The topic of financial instability, previously covered in Chapter 13, is now discussed in Part 3 of the text, in Chapters 9 and 11. Detailed discussion of the 2007-2009 crisis has been moved to an online appendix, though key aspects of the crisis are discussed in Chapter 9 on “Economic Fluctuations and Macroeconomic Theory”.
- The discussion on monetary policy in Chapter 11 has been revised to introduce students to the Federal Reserve’s new monetary policy tools under the ample reserves framework.
- The detailed discussion of past macroeconomic developments presented in the First Edition (Chapter 12) has been moved to an online appendix.
- Sections 5 and 6 in Chapter 16 have been reversed from the First Edition. We feel that ending the text with a broad discussion of long-term environmental sustainability appropriately follows the more specific analysis of climate change.