

Preface

About *Macroeconomics for Life: Smart Choices for All?* Third Edition

Our Approach

PREFACE TO STUDENTS Both *Microeconomics for Life* and *Macroeconomics for Life* are motivated by the belief that if you learn a little economics, it helps you make the most of your life, whatever you are after. That same knowledge also helps you better understand the world around you, and the choices you face as a citizen.

The subtitle of *Macroeconomics for Life: Smart Choices for All?* has a question mark because economists and politicians disagree much more about macroeconomics than microeconomics. We incorporate those disagreements into what we call *the fundamental macroeconomic question*:

If left alone by government, how quickly do the price mechanisms of market economies adjust to maintain steady growth in living standards, full employment, and stable prices?

One answer is that when the microeconomic smart choices of individual households and businesses are combined, Adam Smith's invisible hand of market coordination continues to produce desirable macroeconomics outcomes — steady growth in living standards, full employment and stable prices. And government only makes economic outcomes worse. We call this answer *Markets Self-Adjust, Government Hands-Off*.

The other answer, which we call *Markets Fail Often, Government Hands-On*, is that combined markets often fail and can produce undesirable outcomes — unemployment, financial bubbles, bankruptcies, and inflation — that require government action.

Beyond helping you master basic concepts and core theory, *Macroeconomics for Life: Smart Choices for All?* provides tools to develop *your views* about the fundamental macroeconomic question. Remember, there is no right answer — economists and politicians disagree. Your views, and especially your vote as a citizen, help elect a government whose policy decisions affect your job prospects, your standard of living, investment decisions,



mortgage choices . . . in short, the macroeconomics that affect your life.

The only way for us to know how close we've come to achieving our goal is to hear from you. Let us know what works for you in this book—and, more importantly, what doesn't. You can write to us at avicohen@yorku.ca. In future editions, we will acknowledge by name all students who help improve *Economics for Life*.

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PREFACE TO INSTRUCTORS There is considerable agreement among economists about the core of macroeconomic theory. But, it's no secret that economists disagree far more about macro than microeconomics.

Consider a few examples.

- Prices and markets adjust towards equilibrium, but how long do the adjustments take?
- Do models focus more on short-run business cycles or long-run growth?
- Government must enforce property rights, but how big a policy role should government take?

Principles students, who struggle to master basic concepts like GDP, growth, unemployment, inflation, and exchange rates, cannot absorb the disagreements among the differing models of modern macroeconomists. But it is important for students, as citizens, to understand policy differences that they will hear from economists and politicians for the rest of their lives.

Macroeconomics for Life: Smart Choices for All? simplifies and consolidates those modelling disagreements, providing a framework for understanding macroeconomics and thinking about the appropriate role for government policy. The disagreements are incorporated into what we call *the fundamental macroeconomic question*:

If left alone by government, how quickly do the price mechanisms of market economies adjust to maintain steady growth in living standards, full employment, and stable prices?

The two main answers are:

- Markets Quickly Self-Adjust, so Government *Hands-Off*
- Markets Fail Often, so Government *Hands-On*

The possibility of two answers is what's behind the question mark of the subtitle — *Smart Choices for All?* When microeconomic smart choices of individual households and businesses are aggregated, does Adam Smith's invisible hand continue to produce optimal macroeconomics outcomes — steady growth in living standards, full employment, and stable prices? Or, with the incorporation of money, banks, expectations, and exchange rates, do markets fail and produce undesirable outcomes that Keynes highlighted — unemployment, financial bubbles, bankruptcies, and inflation?

Macroeconomics for Life covers the traditional, agreed-upon macroeconomic concepts and core theory using the expanded circular flow ($Y = C + I + G + X - IM$) and AS/AD models. Topic by topic, we then present, sympathetically, the best arguments behind economists' *Hands-Off* and *Hands-On* positions. These icons reappear as we explore different topics.



We encourage students to think about the differing positions not as right or wrong, but as exposing two contrasting ways of looking at the macro economy. Informed and engaged citizens must be able to think critically about these policy differences. Students will hear these policy arguments from politicians for the rest of their lives and, as citizens, must make up their own minds about which position (or combinations of positions) they support.

Beyond helping students master basic concepts and core theory, *Macroeconomics for Life: Smart Choices for All?*, engages students by giving them agency in thinking about the fundamental macroeconomic question, the answers to which will affect their job prospects, standard of living, investment decisions, mortgage choices . . . in short, the macroeconomics that will affect their lives.

A LITERACY-TARGETED APPROACH TO ECONOMIC EDUCATION *Micro/Macro Economics for Life* are the only

principles texts written by national-teaching-award winners — both members of the prestigious American Economic Association Committee on Economic Education — with expertise both in economics and economics education. *Micro/Macro Economics for Life* are written directly for the Canadian market instead of being adapted from U.S. texts.

Both *Micro/Macro Economics for Life* use a literacy-targeted (LT) approach to teaching principles, which traces back to Nobel Prize winner George Stigler. The LT approach argues that it is far more valuable for students to understand and apply core economic concepts well than to be exposed to a wide range of concepts they will soon forget.¹

The potential benefits of an LT approach come from some astounding numbers. Sixty to 75 percent of North American post-secondary students *never take any economics!* Of the students who do take principles, *over 80 percent are one-and-done — they never take another economics course. And only 2 percent go on to major in economics.*² There is clearly an opportunity to do better, and there's growing evidence that an LT approach will help.

Just like traditional approaches to teaching principles, the LT approach aims to create economically literate students who can “think like an economist.” The LT approach differs because it answers the question — *What should go into the only economics course that students will ever take, while not disadvantaging majors?* The LT approach to principles is designed to create a Pareto improvement by:

- attracting more students who would otherwise not take economics;
- improving the success and retention of one-and-done students; and,
- ensuring that students who do become economics majors are not disadvantaged.

By appealing to, and better serving, a broader audience than the traditional approach to teaching principles, the LT approach also aligns well with the discipline's growing interest in improving diversity and inclusion.³

It is equally important that the LT focus on mastering and applying core concepts meets the requirements for economics majors. A University of Toronto study, using an 11-year dataset with over 13,000 students compares the performance in intermediate micro/macro theory and statistics courses of students taking traditional

¹For a history of LT approach, see Avi Cohen “What Do We Want Students To (Know and) Be Able To Do: Learning Outcomes, Competencies, and Content in Literacy-Targeted Principles Courses,” *Journal of Economic Education*, 55(2), 2024.

²See Wendy Stock, “Who Does (and Does Not) Take Introductory Economics?” *Journal of Economic Education*, 55(2), 2024.

³See Gary Hoover and Ebonya Washington, “How LT Principles Can Improve Diversity, Inclusiveness and Student Interest,” *Journal of Economic Education*, 55(2), 2024.

principles courses with students taking LT courses using *Micro/Macro Economics for Life*.⁴

The results — no significant differences in grades in intermediate theory or statistics! The authors of this and a similar study at the University of North Carolina Chapel Hill,⁵ attribute the results to the extra course time devoted to mastering fewer topics through enrichment and application assessments that create deeper and more durable learning.⁶

Micro/Macro Economics for Life can meet the needs of all students — the 80+ percent who take only principles, as well as students who pursue higher-level economics courses — yielding better outcomes and experiences for the many *one-and-done* students while leaving majors just as well off. These texts are researched, designed, and proven to deliver these **Pareto-improving outcomes**.

Content Features

CHAPTER OPENER Every chapter begins with an overview that introduces students to the main ideas and themes in the chapter. This introduction connects the economic principles discussed in the chapter to the choices and decisions students make in everyday life.

ECONOMICS OUT THERE These feature boxes provide real-world examples of the economic concepts being discussed. The stories told in *Economics Out There* help students make connections between the concepts in the chapter and everyday life. These boxes will be updated annually by our author team, when appropriate, to ensure the examples/topics remain current and relevant to students.

REFRESH QUESTIONS AND THINK ABOUT IT QUESTIONS At the end of each section of each chapter, there are three multiple-choice **Refresh Questions**. These formative assessments allow students to assess their understanding of the concepts in the section. In the eTextbook these questions provide immediate, targeted feedback both for correct and incorrect answers.

In addition to the **Refresh Questions**, formative **Think About It** assessments are sprinkled throughout the sections of each chapter, posing open-ended questions that push the student to stop and think about what they have just read, in the form of an application or extension.

Today's students live in a content-rich environment where skimming is the norm. Skimming works for browsing social media, but not for reading critically or learning economics. These features act as "speed bumps," encouraging students to slow down, recall, and reflect on the content. Retrieval not only provides students with information about their own learning (metacognition), it strengthens neural pathways, reinforces learning, and makes it more durable. As students progress through the learning experience, completing **Think About It** and **Refresh Questions** along the way solidifies and builds upon what they learn. Over time, these activities enable students to construct a longer-lasting mental framework for economic analysis.

END-OF-CHAPTER MATERIAL At the end of each chapter, you will find:

- **Chapter Summary** — New to this edition is a short narrative summary of the entire chapter. That is followed by a section-by-section summary that recaps in point form the main ideas. The first item (in red) under each section head is the single most important point in that section. All key terms are in bold.
- **15 Multiple Choice Questions** — These questions now have five choices instead of four and can be assigned as homework since answers are not available to students in this edition. Questions are organized by learning objective. The heading next to each learning objective number gives you the topic of the questions that follow.
- **15 True/False Questions** — There are 15 true/false questions, organized by learning objective. The heading next to each learning objective number gives you the topic of the questions that follow.

POWERPOINT SLIDES The PowerPoint® slides are a set of lectures based on the textbook content, paralleling the section-by-section summary found in the end-of-chapter material. We developed the content in the slides to enable you to prepare and present a focused, manageable lecture without having to wade through an excessive number of slides. Each analytical graph has animations that allow you to visually tell stories of curves shifting and new equilibrium outcomes.

⁴Dwayne Benjamin, Avi Cohen, and Gillian Hamilton, "A Pareto-Improving Way to Teach Principles of Economics," *AEA Papers and Proceedings* 110, 2020.

⁵Donna Gilleskie and Mike Salemi, "The Cost of Economic Literacy: How Well Does a Literacy Targeted Principles of Economics Course Prepare Students for Intermediate Theory Courses?" *Journal of Economic Education* 43(2), 2012. Mike Salemi was a longstanding chair of the AEA Committee on Economics Education.

⁶See William Goffe and Scott Wolla, "Cognitive Science Teaching Strategies and Literacy-Targeted Economics Complementarities," *Journal of Economic Education* 55(2), 2024.

The parallels between the slides and the end-of-chapter summary make it easier for students to connect the textbook material, your classroom presentation, and the end-of-chapter exercises. The design of the slides matches the textbook design so students connect more easily the material they have read and the content of your classroom presentation. The font sizes of the slides have been tested for readability from the back of a 500-seat lecture hall as well as on mobile devices.

ANIMATED FIGURES (VIDEOS) The PowerPoint graphs, built from the textbook graphic files, are the basis of the **Animated Figures**. For key analytical graphs in the textbook, a short MP4 video plays when students click on the graph. In a voice-over, we talk the student through the meaning of the figure and trace shifts of curves and changes in outcomes. A moving cursor directs students' attention to the portion of the figure being discussed in the narration.

Digital Content Delivery

As the world shifts to a greater reliance on digital media, it is appropriate that this resource evolves as well. This third edition is the first fully digital version of *Macroeconomics for Life*. Instructors and students will find that, although the medium has changed, the content is fully consistent with prior editions.

What's New

- Scott Wolla, the Economic Education Officer at the U.S. Federal Reserve Bank of St. Louis, joins the third edition as a co-author. Scott brings unmatched expertise in economic education and has taken the lead on all pedagogical aspects of this edition, including the selection of *Economics Out There* media stories and analysis. His work has been highlighted by major news media including *The Economist*, *The New York Times*, *National Public Radio*, *Bloomberg News*, and *BBC News*.
- This third edition has an expanded and slightly reorganized set of chapters to support a variety of approaches to teaching principles of microeconomics, including the LT approach. *Macroeconomics for Life* has 15 chapters instead of 12 in the second edition. We cover economic growth right after GDP in **Chapter 7, Potential GDP, Business Cycles, and Economic Growth**. This allows us to contrast differing emphasis on short-run fluctuations versus long-run growth.
- In **Chapter 8, Unemployment and Inflation**, we introduce the Phillips Curve (so students are aware early on of unemployment/ inflation trade-offs) and

a simplified quantity theory of money, so students understand one of the most common media stories tying inflation to the money supply.

- Starting in **Chapter 9, The Aggregate Supply and Aggregate Demand Model**, our macro models centre around *AS/AD*. While the treatment of long-run equilibrium is traditional, we use a “time-enhanced” approach to short-run *AS/AD*. We emphasize that production takes time, which means *AS* decisions are made before, and in expectation of, subsequent *AD* decisions. Starting from long-run equilibrium, explanations of *AD* shocks include scenarios where *AD* turns out to be greater/less than the expected equilibrium. This treatment incorporates the central role of expectations in a simple fashion.
- For those who don't teach the Keynesian aggregate expenditure model, **Chapter 10, The Aggregate Expenditure Model**, can be skipped without disruption to remaining chapters. Instead of deriving *AD* from *AE*, **Chapter 9** motivates the downward-sloping *AD* using the international substitution effect, which students find very straightforward. We cover multipliers in **Chapter 13, Fiscal Policy, Multipliers, Deficits and Debt**, providing the intuition using injections and leakages in the circular flow model. There are also numerical multiplier examples and graphical illustrations of multipliers using the *AS/AD* model. **Chapter 13** covers both demand-side and supply-side fiscal policies.
- Because Canada is a small, open economy, **Chapter 11, Exchange Rates and the Balance of Payments**, appears before **Chapter 12, Money and Monetary Policy**, which explains both domestic and international transmission effects of monetary policy.
- **Chapter 12** contains a new, intuitive presentation of how central banks with ample reserves now control market interest rates with central-bank-administered interest rates. There is a brief historical discussion of open market operations, and a feature titled “R.I.P. Money Multiplier,” for those who want to mention the outdated monetary policy tools.
- **Chapter 14, Globalization, Trade, and Protectionism**, covers international trade, with added emphasis on controversies about the effects of globalization.
- While we integrate core disagreements among macroeconomists in each of the relevant chapters, there are more extensive discussions of those differences in **Chapter 15, Controversies in Macroeconomics**. This placement limits the presentation of contrasting positions within each chapter, leaving most space for core concepts.

- Whatever path you choose, you only need to cover 12–14 chapters in a term. Without the four introductory micro chapters, there are 11 manageable macroeconomic chapters. If you omit **Chapter 10, The Aggregate Expenditure Model**, and **Chapter 15, Controversies in Macroeconomics**, 9 macro chapters remain, leaving more class time for experiments, applications, formative assessments, group work, and other active-learning techniques that promote deeper and more durable learning.
- Students using *Macroeconomics for Life: Smart Choices for All?* will learn the macroeconomics they need, both to continue as economics majors and to be informed and engaged citizens who can think critically about macroeconomic policy issues.

While we work hard to present unbiased, fully accessible content, we want to hear from you about any concerns or needs with this Pearson product so that we can investigate and address them:

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- For accessibility-related issues, such as using assistive technology with Pearson products, alternative text requests, or accessibility documentation, email the Pearson Disability Support team at disability.support@pearson.com.

Chapter-by-Chapter What's New

Chapter 1 *What's in Economics for You?*

Scarcity, Opportunity Cost, Trade, and Models

- We updated the section on comparative advantage, adding a new figure that better highlights the differing comparative advantages of the two traders.
- A new *Economics Out There* box, “Can Economists Do Experiments?” describes economists increasing use of “natural experiments,” beginning with David Card’s work on minimum wages.

Chapter 2 *Making Smart Choices: The Law of Demand*

- Examples updated throughout, including new figure using FRED data on the relationship between SUV sales and gasoline prices, 2002–2020.

Chapter 3 *Show Me the Money: The Law of Supply*

- New *Economics Out There* box, “Famous Dropouts,” about successful stars who dropped out of school and made smart choices to ignore sunk costs of tuition paid.

- New *Economics Out There* box, “Pandemic Sex Slump Sees Condom Makers Switch to Latex Gloves,” about supply shifts from changes in prices of substitutes in production.
- New *Economics Out There* box, “Technological Change Is Spelled R-O-B-O-T,” about technological change reducing costs for delivery services.
- Reordered the list of factors shifting supply to improve the flow of the narrative, and added pandemics as an example of an environmental supply shifter.

Chapter 4 *Coordinating Smart Choices: Demand and Supply*

- New *Economics Out There* box, “Lobster Prices Could Break Records in 2022,” as example of change in demand.
- New *Economics Out There* box, “The Case of Soaring Car Prices,” as example of changes in both demand and supply.

Chapter 5 *Are Your Smart Choices Smart for All?*

Macroeconomics and Microeconomics

- Updated introduction on “Pandemics, Financial Crises, and the Great Depression.”
- New *Economics Out There* box, “Will Post-Pandemic Recession Fears Become a Self-Fulfilling Prophecy?”

Chapter 6 *Up Around the Circular Flow:*

GDP, Economic Growth, and Business Cycles

- Split Chapter 6 from second edition into two chapters. This chapter focuses on the measurement and limitations of GDP, using sections 6.1, 6.2, and 6.5 from the second edition.
- All data updated beyond COVID pandemic.
- New *Economics Out There* box and video, “Statistics Canada Explains the Value-Added Approach to Measuring GDP.”
- New, streamlined artwork for all versions of the circular flow model.
- Section 6.2 from the second edition split into two parts, now “6.2 How to Measure GDP: Value Added and the Circular Flow” and “6.3 Adding All Macroeconomic Players: Enlarging the Circular Flow.”
- New *Economics Out There* box, “Women’s Unpaid Labor Is Worth \$10,900,000,000,000,” calculated on International Women’s Day, with gender differences on time spent on housework across countries.
- New *Economics Out There* box, “What if ‘Well-Being’ Is the Measure of Economic Performance?” about a New Zealand federal budget.

Chapter 7 Do Macroeconomics Dreams Come True? Potential GDP, Economic Growth, and Business Cycles

- This chapter contains material on economic growth and business cycles from sections 6.3 and 6.4 of the second edition.
- All data updated beyond COVID pandemic.
- New section 7.2 “Moving Up (Mostly): Economic Growth.”
- New *Economics Out There* box, “Goldcorp and Netflix Entrepreneurs Strike Crowdsourcing Gold.”
- New *Economics Out There* box, “Why Is Canada Falling Behind in the Quest for Productivity?”
- New *Economics Out There* box, “Is Two Quarters of Negative Growth in Real GDP a Recession? It Depends.”
- New section 7.4 “Shocking! Economic Shocks and Business Cycles” explains typical triggers of recession and how the pandemic recession was different.
- New *Economics Out There* box, “Getting to the Bottom of the Pandemic Toilet Paper Shortage: The Issue with Tissues.”
- New Figure 7.9 “Real GDP Change during COVID-19 and Previous Recessions in Canada,” showing the unusual V-shape of the pandemic recession.

Chapter 8 Cost of (Not) Working and Living: Unemployment and Inflation

- This was Chapter 7 in the second edition.
- Updated introduction about unemployment and inflation during and after the pandemic.
- All data updated beyond COVID pandemic.
- New *Economics Out There* box, “Where Have All the Workers Gone?” about the so-called Great Resignation.
- New *Economics Out There* box, “What’s Natural about the ‘Natural Rate’ of Unemployment?” tracing the concept back to Milton Friedman’s 1967 Presidential Address on the long-run Phillips Curve.
- New *Economics Out There* box, “Competing for Workers with Higher and Higher Wages,” about the effect of inflation expectations on wages.
- New section on disinflation and differences from inflation and deflation.
- New *Economics Out There* box, “Why Didn’t Quantitative Easing Cause High Inflation?” about how the change in central bank monetary policy tools changes the inflation explanation of “too much money chasing too few good” to “too much spending chasing too few goods.”

- New section on “A Flattened Phillips Curve?” including new Figure 8.13 graph, “Was There a Phillips Curve in Canada between 1992 and 2020?”
- New *Economics Out There* box, “Is the Phillips Curve Back from the Dead?” about the post-pandemic reappearance of the inverse inflation-unemployment relationship.

Chapter 9 Skating to Where the Puck Is Going: Aggregate Supply and Aggregate Demand

- This was Chapter 8 in the second edition.
- New *Economics Out There* box, “Were Pandemic Supply Chain Disruptions Really about Supply?”
- New key term “international trade effect” to explain the downward slope of *AD*.
- New *Economics Out There* box, “How Do Bubbles Form? Tulips and GameStop Can Help Explain,” that includes Minsky’s five stages of bubbles.
- Rewritten section 9.4 “Hitting the Targets: Long-Run Macroeconomic Equilibrium” focuses exclusively on long-run equilibrium, including with growth. Section on the loanable funds market now moved to Chapter 12.
- New section 9.5 “Economic Life Is Full of Shocks: Aggregate Demand and Aggregate Supply Shocks” incorporates material from the second edition’s section 8.4, emphasizing the short-run effects of four possible *SAS/AD* shocks.
- New *Economics Out There* box, “The COVID Pandemic Was a Shocking Time for the Economy!” shows how to model the pandemic using the *AS/AD* model.
- Section 8.5 in the second edition about *Hands-Off* and *Hands-On* differences on business cycle origins and long-run adjustments moved to new Chapter 15 on “Controversies in Macroeconomics.”

Chapter 10 What’s Behind Aggregate Demand? The Aggregate Expenditure Model and Multipliers

- Entirely new chapter.
- New section 10.1 “The Bathtub Model: Expenditure Plans and the Circular Flow,” showing the injections = leakages equilibrium.
- New section 10.2 “Macroeconomic Equilibrium without Say’s Law: The Aggregate Expenditure Model,” with the 45-degree line graph and the mathematics of equilibrium expenditure.
- New section 10.3 “Keynesian Multiplication: The Multiplier.”
- New *Economics Out There* box, “Using MPC to Design Better Policies and Reduce Poverty.”
- New section 10.4 “Connecting the Models: From Aggregate Expenditure to Aggregate Demand.”

Chapter 11 Trading Dollars for Dollars? Exchange Rates and Payments with the Rest of the World

- This was Chapter 10 in the second edition.
- All data updated.
- New *Economics Out There* box, “Breaking Up? The Relationship between Oil Prices and the Canadian Dollar.”
- New streamlined schematic (Figure 11.10) of the international transmission mechanism from exchange rates to real GDP, unemployment, and inflation.
- New *Economics Out There* box, “When the Negative Demand Shock of a Strong Canadian Dollar Might Be Good Policy.”
- New *Economics Out There* box, “Can You Make Money When the Canadian Dollar ‘Is Seriously Undervalued’?”
- New *Economics Out There* box, “Of Dictators and Trade Surpluses,” about how Russian and Chinese trade surpluses in 2022 were a result of economic weakness, not strength.

Chapter 12 Steering Blindly? Money, Monetary Policy, and the Bank of Canada

- This entirely rewritten chapter contains material from Chapters 9 and 11 of the second edition.
- Section 12.1, “Money Is for Lunatics: Money or Bonds?” explains why people give up interest on bonds to demand money and how the loanable funds market determines the interest rate.
- New sections 12.2 “Legal Counterfeiting? Who Supplies Money?” and 12.3 “Target Shooting: How the Bank of Canada Uses Short-Term Interest Rates to Steer the Economy” were largely written by Scott Wolla, the internationally recognized authority on explaining the major change in central bank monetary tools since the Global Financial Crisis.
- New section 12.2 “Legal Counterfeiting? Who Supplies Money?” explains why the old vertical money supply curve and money multipliers are no longer relevant.
- New *Economics Out There* box, “R.I.P. Money Multiplier.”
- Section 12.3 reviews open market operations and provides an intuitive explanation, with simple visuals, of how central banks with ample reserves, including the Bank of Canada, now control market interest rates with central-bank-administered interest rates.
- New Figures 12.6 “Bank of Canada Floor System,” 12.7 “Bank of Canada Lowers the Operating Band by 0.5%,” and 12.8 “Arbitrage When the Overnight Rate Falls below the Deposit Rate.”

- Section 12.4 contains material from section 11.3 of the second edition, with new streamlined schematics (Figures 12.11 and 12.12) of the domestic and international monetary policy transmission mechanisms.
- New section on “Quantitative Easing—A Supportive Tool,” with a new schematic representation (Figure 12.16) of the process of quantitative easing.
- New *Economics Out There* box, “Taming Expectations Is Key to a ‘Soft Landing’.”

Chapter 13 Spending Others’ Money:

Fiscal Policy, Deficits, and National Debt

- This was Chapter 12 in the second edition.
- All data updated.
- Figure 13.1 is a new, streamlined schematic of “Fiscal Policy in Enlarged GDP Circular Flow of Income and Spending (\$).”
- Section 13.1 contains the second edition’s detailed explanation of the multiplier that also appears in section 10.3 of this edition, as well as an *AD* representation of the multiplier in Figure 13.3 “The Multiplier Effect of Government Spending on Aggregate Demand.”
- New *Economics Out There* box, “Speaking Multiplier without Knowing It!”
- New *Economics Out There* box, “Supply-Side Economics Isn’t Just for Republicans Anymore,” explains what Treasury Secretary Janet Yellen calls *supply side progressivism*.
- New *Economics Out There* box, “The Sahm Rule—A New Kind of Automatic Stabilizer.”
- New *Economics Out There* box, “How Finance Minister Freeland Overturned Three Decades of *Hands-Off* Political Orthodoxy.”

Chapter 14 Are Sweatshops All Bad?

Globalization and Trade Policy

- This was Chapter 15 in the second edition and is the same as Chapter 15 in the third edition of *Microeconomics for Life*, with the addition of section 14.5 “Globalization and Its Discontents: Governments and Global Markets.”
- Section 14.2 — Winners and Losers: Efficiency and Trade — is entirely new to this third edition and presents the world market model as a straightforward application of the demand and supply model.
- New *Economics Out There* box, “Buried in Wool,” about protectionism in the British wool industry going back to 1700.
- New *Economics Out There* box, “When the CHIPS Are Down,” about U.S. subsidies for producing domestic semiconductors.

- Revised *Economics Out There* box, “Travels of a T-Shirt in the Global Economy.”

Chapter 15 Hands-Off and/or Hands-On?

Controversies in Macroeconomics

- This new chapter collects most of the disagreements of economists over the role of government that in the second edition were sprinkled throughout most macro chapters.
- New section on “Modern Macroeconomics Camps” and their correspondence to *Hands-Off* and *Hands-On* positions.
- New *Economics Out There* box, “Keynes’s Beauty Contest.”
- New section on “Does the Loanable Funds Market Quickly Self-Adjust?”
- New *Economics Out There* box, “The Taylor Rule.”
- New *Economics Out There* box, “Monetary Policy Hawks and Doves.”
- Updated data on income and wealth distributions in Canada.

Digital Learning

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Economics Out There boxes bring currency into your classroom with author-written content that connects key concepts with real-life current events. Annually our author(s) add new or revised content or data to figures to ensure that your students have current and relevant examples to help them engage with the course material.

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