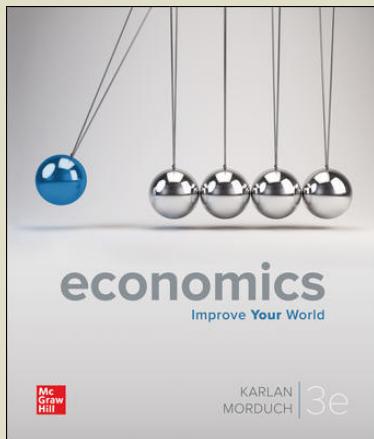


List of Changes



**Economics
3rd Edition**

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available in

connect[®]

We've made numerous changes to the third edition of this text, prompted by users, reviewers, and developing ideas in economics. This section provides a detailed list of changes.

For a complete list of chapter by chapter changes, please see below.

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The screenshot shows a digital learning environment. At the top, there's a navigation bar with icons for back, forward, and search. Below it, a blue header bar says 'Experience Psychology'. The main content area has a white background. On the left, there's a vertical sidebar with some icons. The main content is divided into sections: '4. DRAWING CONCLUSIONS' and '5. EVALUATING'. Under '4. DRAWING CONCLUSIONS', there's a text box with some text and a progress bar at the bottom. Under '5. EVALUATING', there's a question with four options: 'a cohort.', 'an organization.', 'an assemblage.', and 'a cadre.'. Below the question, there's a 'Confidence Level' section with three buttons: 'High', 'Medium', and 'Low'. There are also small decorative elements like yellow dots in the top right corner and a dotted border around the main content area.

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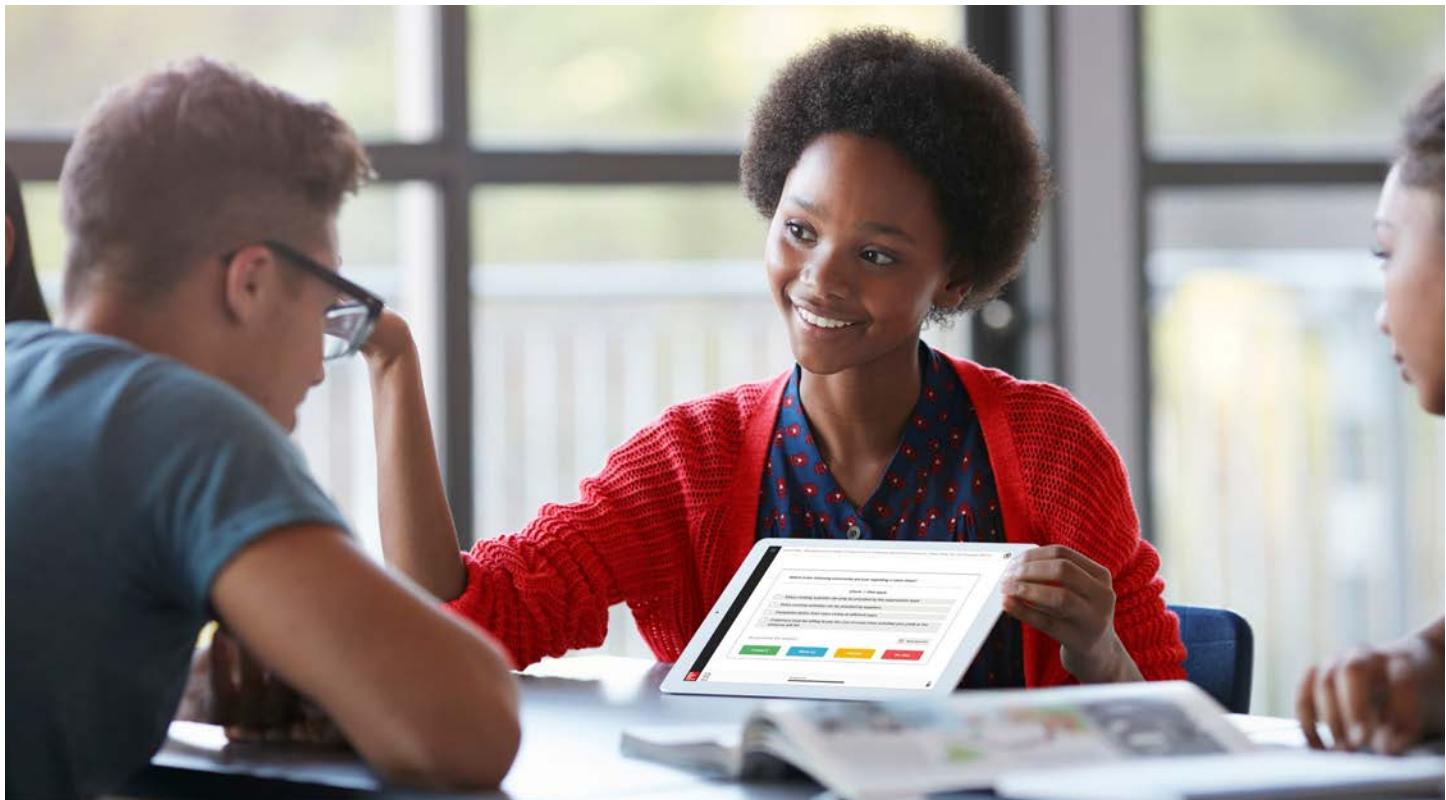


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Chapter 1: Economics and Life

- Changed the fourth economist's question from "Why isn't someone already doing it?" to "Are resources being allocated in the best way possible?" to clarify the idea of efficiency. Revised the associated text section on efficiency, with discussion of the practical implications of efficiency.
- Clarified the opportunity cost example—changed from going on a road trip to having dinner with friends. Added example of unpaid internship.
- Added "Marginal decision making" subheading.
- New Figure 1-1 (showing total revenue generated by bowling alleys correlated with per capita consumption of sour cream) illustrates the need to differentiate between correlation and causation.
- Replaced the box about Malthus's model with a new Economics in Action box, titled When education pays off, about Goldin & Katz's model explaining gains from education.

Chapter 2: Specialization and Exchange

- Slightly revised and shortened the From Another Angle box about Babe Ruth as an example of absolute and comparative advantage.
- Replaced Bill Gates as a text example of specialization with Stacy Brown-Philpot, CEO of TaskRabbit.
- Replaced the Economics in Action Is self-sufficiency a virtue? box with a new box Winners and losers; the new box describes the closing of an Ohio factory as a way to show how international trade results in some winners and some losers (suggesting that getting the benefits of trade can depend on compensating those who lose out from trade).
- Moved from online-only into the print product the Economics in Action box Comparative advantage: The good, the bad, and the ugly that discusses whether a country's loss of comparative advantage at producing a particular good is something to worry about.

Appendix A: Math Essentials: Understanding Graphs and Slopes

- Revised Figures A-1 and A-3 with new data.
- Replaced Figure A-2 with data showing market share for domestic and imported vehicle types.

Chapter 3: Markets

- Replaced the Real Life: The Prius shortage of 2003 box with a new Economics in Action box, The great Elmo shortage.
- Revised the Economics in Action Give a man a fish box, to clarify the findings of economist Robert Jensen's research on how cell phones changed the market for fish in Kerala, India.

Chapter 4: Elasticity

- Revised the Economics in Action Does charging for bed nets decrease malaria? box, to clarify and better highlight the work of Jessica Cohen and Pascaline Dupas on the price elasticity of demand for bed nets in Kenya.
- Updated the What Do You Think? Should entrance fees at national parks be raised? box to include the 2017 proposal to increase fees in national parks.

- Removed the Where Can It Take You? Pricing analyst box and replaced it with a new Econ and You Finding a travel bargain box that discusses how understanding price elasticity can help when you buy airline tickets.

Chapter 5: Efficiency

- In the “Willingness to sell and the supply curve” subsection, revised the example (and related figures) by changing Seller #1 from a comic book collector to a college student wanting money to
- Changed the Real Life Haggling and bluffing box to an Econ and You It pays to negotiate box that discusses salary negotiations as a common version of price negotiation. The new box references recent research by Marianne Bertrand; Hannah Riley Bowles, Linda Babcock, and Lei Lai; Andres Leibbrandt and John List; and Ellen Pao on gender differences in negotiation.

Chapter 6: Government Intervention

- Revised the What Do You Think? Put a cap on payday lending? box (including questions), to make it more personal (a broken-down car).
- Revised the data in the “Buyers pay more” example in Figure 6-10.
- Removed the Where Can It Take You? Public economics box and replaced it with a **new** Econ and You Out of sight, out of mind box that looks at research by Raj Chetty, Adam Looney, and Kory Kroft to test whether grocery-store shoppers “forget” about sales tax when they look at price tags.
- Replaced the What Do You Think? Farm subsidies box with a new Fight for \$15 box that looks at the debate and economic research about a \$15 federal minimum wage.

Chapter 7: Consumer Behavior

- Revised the Real Life The science of happiness box. Repurposed as an Econ and YOU box titled Spending your way to happiness?, it now looks at the idea of utility to understand what makes people happy and includes research by Tamas Hajdu and Gabor Hajdu from a survey tracking the overall life satisfaction and spending habits of 10,000 people in Hungary.
- Fixed text references to points in panels A and B of Figure 7-1 and added a point B to panel B of Figure 7-1.
- Repurposed the What Do You Think? Choosing a league box to Econ and You.
- Shortened the Economics in Action Why we give box.

Appendix E: Using Indifference Curves

- Changed the gender in the example used throughout the appendix from male (Malik) to female (Laila), to further differentiate the related examples used in the body of Chapter 7 and in this appendix.

Chapter 8: Behavioral Economics

- Added a new Econ and You Is a dollar a dollar? box about the method-of-payment effect.

Chapter 9: Game Theory and Strategic Thinking

- In the “Prisoners’ dilemma” subsection, changed the text references from the Bush and Kerry 2004 campaign to more-generic Party A and Party B.

- Revised the colors used in the decision matrixes in the chapter, to make them more lively.
- Repurposed the From Another Angle Tit-for-tat and human emotions box to an Econ and You Can game theory explain why you feel guilt? box, the box looks at how emotions may have promoted cooperation in hunter-gatherer societies.
- Revised the Real Life Dr. Strangelove... box to an Economics in Action box titled Totally MAD that focuses on the story of Soviet Commander Stanislav Petrov who used his understanding of game theory, and his intuition, to decide not to launch a missile attack against the United States in 1983.

Chapter 10: Information

- Replaced the Where Can It Take You? Risk management box with a new Econ and You Is college worth it? box that discusses the financial return on a college degree and introduces Bryan Caplan's idea of a degree as a signaling device.
- Deleted the Real Life Dress for success box.
- Revised the What Do You Think? From spray paint to auto insurance box, retitled Should teenagers be able to buy assault rifles? to focus on a more current and controversial issue of statistical discrimination.
- Moved from online-only into the print product the What Do You Think? box How much information is too much?, for a health-related look at adverse selection.

Chapter 11: Time and Uncertainty

- Added a new Econ and You The rule of 70 box about how to estimate compounding of both savings and debt over time.
- Repurposed the From Another Angle Hindsight is 20/20 box to an Econ and You Are extended warranties worth it? box that looks at the costs and benefits of such insurance.

Appendix F: Math Essentials: Compounding

Shortened the discussion of the rule of 70 in this appendix and elaborated on it in the body of Chapter 11 instead.

Chapter 12: The Costs of Production

- Revised the chapter-opening feature story to discuss EpiPen pricing (instead of Lipitor).
- Repurposed the From Another Angle The “production” of kids box to an Econ and YOU The quarter- million dollar kid box, updated with USDA estimates.
- Revised the From Another Angle Beyond the bottom line box, for greater clarity about the goals of social enterprises.
- Revised Figure 12-2 by changing the axes to flatten out the total production curve.
- Revised Figure 12-3 by changing the axes to flatten out the average and marginal product curves.
- Added new subheadings “Graphing total cost” and “Graphing average cost,” to present the discussion of total and average costs in smaller bites.
- Revised Figure 12-4 by changing the axes and showing data points, for better student understanding.
- Revised Figure 12-5 by changing the axes and showing data points, with call-out labels to differentiate between the lowest points on the AVC and ATC curves, for better

student understanding.

- Revised Figure 12-6 by changing the axes and showing data points to correct the shape of the marginal cost curve.
- Revised Figure 12-7 by changing the axes and showing data points to correct the shape of the marginal cost curve and its intersection with the average total cost curve.
- Revised Figure 12-9 to make the long-run ATC curve more U-shaped and highlight that the long-run ATC curve represents the lowest point of all short-run ATC curves.
- Updated the Economics in Action Walmart and economies of scale box, with a comparison of economies of scale for Walmart and Amazon.
- Updated and shortened the What Do You Think? The profit motive and “orphan” drugs box, retitled Should drug companies care about neglected diseases? to focus on the ethical issues surrounding drug development.

Chapter 13: Perfect Competition

- Revised the Real Life Bazaar competition box and retitled it Economics in Action Why does the “Motor Mile” exist? to discuss why we often see many businesses of the same type clustered near each other.
- Revised Figure 13-1 to show a more traditional marginal cost curve.
- Added a new From Another Angle Who wants competition? box, discussing that the amount of competition in a market can make or break a contestant’s hopes on the ABC television show

Chapter 14: Monopoly

- Made slight revisions to the discussion of natural monopolies, to clarify.
- Revised the From Another Angle Poor monopolists box for greater clarity and retitled it Phone ladies.
- Updated the text examples of recent big mergers (e.g., Amazon and Whole Foods).
- Added a new From Another Angle The origins of Monopoly box, discussing the original economic message and intent of the now-familiar board game.

Chapter 15: Monopolistic Competition and Oligopoly

- Updated Figure 15-1 with revised data showing market share in the music business.
- Added a new Econ and You Fight the (market) power! box about market power and its economic effects.
- In the “Oligopolies in competition” subsection, added subheadings for “Two firms (duopoly)” and “Three or more firms,” to break down text into smaller discrete bites.

Chapter 16: The Factors of Production

- Replaced the featured player (Clayton Kershaw) in the chapter-opening story with Mike Trout.
- Expanded the discussion of the income and price effects of a wage increase with additional explanation of the fact that individual labor supply curves are not always linear and so the effect of a change in wages on hours worked may depend on where an individual is on the labor supply curve.
- Corrected the text statement in the discussion of Figure 16-7, which said (incorrectly) that demand shifted to the right, rather than to the left.
- Updated Figure 16-8, to show immigration through 2017.
- Revised the What Do You Think Should the United States be a country of immigrants?

- box to expand the discussion and to include mention of H-1B visas.
- Updated Figure 16-11, showing the factor distribution of income.
- In the subsection on “minimum wages and efficiency wages,” expanded the text discussion of the effects of minimum-wage laws.
- Revised the online-only box on monopsony in baseball with a new Economics in Action Have noncompete clauses gone too far? box that explores how the idea of monopsony applies in today’s labor market.
- Updated with a new paragraph on the 2018 Supreme Court ruling that public-sector unions can’t force all employees to join the union and pay union dues.

Chapter 17: International Trade

- Replaced the chapter-opening feature story with one titled A New Meaning to “Made in the USA that focuses on U.S.-China trade.
- Repurposed the old chapter-opening feature story about the garment business in Lesotho to a new in- chapter Economics in Action Made in Lesotho. But why? box, to show that trade agreements can sometimes be more important than natural resources and climate in producing comparative advantage.
- In both the “Becoming a net importer” and “Becoming a net exporter” sections, expanded the text abit to acknowledge that though the outcome of competition in world trade might be efficient, trade forces uncomfortable economic adjustments and has real political consequences.
- Clarified the callout labels in Figure 17-6.
- Revised the price data in Figure 17-7.
- Deleted the subsection “Selective exemptions from quotas and tariffs.”
- In the “WTO and trade mediation” section, added a paragraph about the most-favored-nation provision. Also added a short discussion about 2018 trade negotiations between the United States and China.
- Revised the From Another Angle Are environmental regulations bad for the environment? box to address the idea of pollution displacement enabled by international trade and trade agreements.
- Retitled the subheading “Fair(ly) free trade” to “Pocketbook activism.”
- Deleted the What Do You Think? Lift the embargo on Cuba? box.

Chapter 18: Externalities

- Added clarifying text statements about the terminology marginal social cost curve and the marginal social benefit curve.
- Replaced the Real Life The fight over cap-and-trade legislation box with a new Economics in Action Why not tax ourselves? box about the difficulties of imposing taxes on external costs like contributions to greenhouse-gas emissions.

Chapter 19: Public Goods and Common Resources

- Slightly revised examples in Figure 19-1 showing four categories of goods.
- Added as key terms private goods and artificially scarce goods.
- Added a new Economics in Action Artificially scarce music box about how streaming services like Spotify and Pandora make music excludable, creating an artificially scarce good that enables the services to charge a price above marginal cost.
- Replaced the text paragraph about Elinor Ostrom’s research with a new Economics in Action It’s not necessarily a tragedy box that looks in more depth at Ostrom’s research

into how social norms can sometimes be powerful enough for commonly held property to be managed extremely well.

- Moved from online-only into the print product the Economics in Action Why the Colorado River no longer reaches the ocean box that illustrates some mistakes in the management of a very important common resource, water.
- Deleted the Real Life North American fisheries learn from failure box.

Chapter 20: Taxation and the Public Budget

- Updated the tax data in the chapter's text, figures, and tables.
- Shortened the From Another Angle Love the sinner, love the sin tax box, now retitled Can some taxes make people happier? and refocused on the purpose and effects of "sin taxes," particularly in helping people curb consumption of cigarettes or alcohol
- Added subheadings under the "Personal income tax" subheading, for smaller bites of content and to differentiate between calculating personal income tax and the topic of capital gains tax.
- In the section on "Other taxes," added a paragraph about Internet sales tax collection, with reference to the 2018 Supreme Court ruling.
- Retitled the What Do You Think? Death, taxes, and "death taxes" box as Death and taxes.
- Revised the term nondiscretionary spending to mandatory spending and made it a key term.
- Added a short paragraph about voluntary gifts to the U.S. Treasury.

Chapter 21: Poverty, Inequality, and Discrimination

- Updated poverty data in the chapter's text, figures, and tables.
- Replaced the Real Life What if your \$2 a day doesn't come every day? box with a related Economics in Action box, Up and down in America that focuses on Jonathan Morduch's U.S. financial diaries research.
- Slightly broadened LO 21-2 to address factors that contribute to poverty.
- Revised and shortened the Economics in Action Getting out of the neighborhood box.
- Revised the discussion of the Gini coefficient to use 100 (rather than 1) to indicate perfectly unequal income distribution, to reflect data found in typical Gini-coefficient resources.
- The revised Figure 21-5 now shows Gini coefficients for 30 countries.
- Added a new From Another Angle Just give money box about universal basic income (UBI). The new box replaces the online-only From Another Angle Paying people to help themselves box.
- In the discussion of statistical discrimination, added a text statistic about changes in the number of male doctors between 1960 and 2010.
- Updated the Economics in Action Are Emily and Greg more employable than Lakisha and Jamal? box, with follow-up research.

Chapter 22: Political Choices

- Updated the chapter-opening story to include the October 2018 report on global warming conducted by the Intergovernmental Panel on Climate Change and to mention the 2018 Nobel Memorial Prize in Economics awarded to Yale's William Nordhaus, which recognized the contribution that economists can have in addressing the complexities of climate change.

- Slightly expanded the discussion of the median-voter theorem.
- Added a new Economics in Action The rise of Donald Trump box that addresses recent real-world evidence that contradicts the median-voter theorem.
- Slightly expanded the discussion of alternative voting systems.
- Added a new Economics in Action Ranked-choice takes the Golden ticket to Washington box about the application of a ranked-choice voting system in the election of Congressman Jared Golden (Maine).
- Deleted the Real Life Monitoring corruption in Indonesia box.

Chapter 23: Public Policy and Choice Architecture

- In the chapter-opening story, added mention of Richard Thaler's Nobel Prize in economics.
- Revised the Real Life Committing to fertilizer box to liken the decision Kenyan farmers make about whether to purchase fertilizer to decisions people make about saving for retirement; retitled the Economics in Action box as It's all about timing.
- Moved from online-only into the print product the Real Life Is payday lending predatory box and recategorized the box as Econ and You.

Chapter 24: Measuring GDP

- Changed the numbers in the text example used to explain the value-added approach to clarify the value added at each step of production.
- Expanded the text discussion of NBER's definition of recession.
- Moved the discussion of well-being before data challenges (home production, the underground economy, and environmental degradation), and revised LO 24.7 to reflect that transposition.
- Retitled the From Another Angle Valuing homemakers box as Not everything that counts can be counted and expanded the discussion to highlight cases of production that are not counted in GDP.
- Shortened the From Another Angle The politics of Green GDP box (by removing focus on French efforts) and retitled it as Green GDP.

Chapter 25: The Cost of Living

- Under the "Cost of Living" heading, added a discussion reviewing the concept of real value of goods and services and differentiating real value from nominal price changes.
- Added a new paragraph (at the end of "Changes over time: Substitution and innovation" subsection) using the price of an iMac computer as an example of hedonic quality adjustment.
- Revised the What Do You Think? COLAs for better or worse box to Real Life Poverty and the minimum wage. The revised box focuses on the federal poverty line and the real value of the minimum wage over time, using as its "hook" a story about Senator Elizabeth Warren's family in 1961.
- Moved from online-only into the print product Real Life Counting the poor, give or take 400 million box, now retitled Economics in Action What can you buy for \$1.90?

Chapter 26: Unemployment and the Labor Market

- Revised LO 26.6 to focus on unemployment insurance.
- Revised the From Another Angle Immigration's effects on the labor market box with a paragraph that expands economists' debate whether immigrant workers directly

- compete with native workers.
- Added a new Economics in Action Employment guaranteed box about economic arguments for and against a federally guaranteed \$15-an-hour job, including research by economists Stephanie Kelton, Darrick Hamilton, and William Darity.
- Deleted the Real Life Unemployment and developing countries box.
- Repurposed the What Do You Think? Youth employees on trial box as ECON and YOU Are internships experience or exploitation? focused on the economics and ethics of internships.

Chapter 27: Economic Growth

- Moved the Real Life Green revolutions in Asia and Africa box from the “Growth and Public Policy” section to the earlier subsection “Accounting for growth.” Retitled Economics in Action Feeding the world, the box discusses why the Green Revolution has not been as successful in Africa as in Asia, including research by economists Esther Duflo and Michael Kramer.
- Revised the discussion of investment funds from within a country to include corporation profits as a source of domestic savings.
- Added the new subhead “Public policy” under which “Education and health,” new “Infrastructure and industrial policy” discussion, and “Technological development” appear. The revised LO 27.7 covers this revised content.
- Moved from online-only into the print product the Economics in Action Planning for growth box about the idea that governments can effectively plan growth by “picking winners.”
- Retitled the What Do You Think? Should poor countries be as earth-friendly as rich ones? box to Is it okay to pollute one’s way to progress?

Chapter 28: Aggregate Expenditure

- Revised all relevant chapter figures to show PAE touching the y-axis.
- Revised and transposed LOs 28.5 and 28.6.
- Revised the CO feature story to make it more general (and removed quotations from the Bill O'Reilly book).
- In the “Components of Aggregate Expenditure” section, removed the “Autonomous expenditure and simplifying assumptions” subsection and the related LO (old LO 28.5).
- Moved the discussion of autonomous expenditure (and the related LO 28.5, now LO 28.6) into the “Aggregate Expenditure Equilibrium and the Keynesian Cross” section.
- Heavily revised the “Aggregate Expenditure Equilibrium and the Keynesian Cross” section, focused on planned aggregate expenditure. To improve student understanding, the section now starts by looking at PAE in a closed, private economy and then moves to an open economy.
- Added new Figures 28.2 (the investment schedule) and 28.3 (consumption and GDP).
- Expanded the text discussion of the significance of Keynes's insights about how economies can get stuck and introduced the term Keynesian cross (as an italicized term).
- Added new Table 28.5 with data showing values of GDP and its components against aggregate expenditure for a hypothetical country, enabling students to practice aggregate expenditure calculations.
- Added new Figure 28.6 (disequilibrium in the Keynesian cross), which captures the results of new Table 28.5 graphically.

- Near the end of the chapter, added an explicit discussion of government intervention to put the Keynesian model to powerful use.

Chapter 29: Aggregate Demand and Aggregate Supply

- In all relevant figures in the chapter, changed the label on the x-axis to read “Output, or GDP, Y,” for clarity.
- Revised the “Tying It All Together” heading to “Building a Model of the Economy.”
- Added a new subheading “Why does the aggregate demand curve slope downward?” and expanded that section to elaborate on the real-balances effect, the interest-rate effect, and the exchange-rate effect.
- Transposed Figures 29-1 and 29-2.
- Expanded the paragraph discussing debate among economists about the strength of the negative relationships among the components of aggregate expenditure and the price level. The discussion now includes mention of autonomous spending (introduced in Chapter 28).
- Revised the discussion of confidence in the economy, to better highlight the factors that affect consumption and investment decisions.
- Revised the “Multiplier and shifts in aggregate demand” subheading to “Stimulus spending or tax cut?”
- Added as new key terms long-run aggregate supply (LRAS) curve and short-run aggregate supply (SRAS) curve.
- In the subsection on “Long-run aggregate supply,” added a new subheading “The business cycle.”
- In the subsection on “Effects of a shift in aggregate demand,” add the subheadings “Increases in aggregate demand” and “Decreases in aggregate demand,” for smaller bites of content.

Chapter 30: Fiscal Policy

- In the “Fiscal Policy” section, added new text that further describes what fiscal policy is and introduces the idea of automatic stabilizers.
- Revised the “Expansionary or contractionary” subhead to “Fiscal Policy and aggregate demand,” and under that heading added new subheads “Effects on aggregate demand” and “Expansionary or contractionary policy.”
- In the “Real-world challenges” subsection, added crowding out as a key term.
- Replaced the Real Life A timeline of the 2009 stimulus plan box with a new Economics in Action A check in the mail, or more in your paycheck? box that looks at the effectiveness of two different ways of delivering tax-cut stimulus through research by Claudia Sahm, Matthew Shapiro, and Joel Slemrod.
- Updated the discussion of the budget deficit with a projection about an increase in the deficit as a result of the 2017 tax cut.
- Moved from online-only into the print product the Economics in Action And the projection is... box, retitled from surplus to deficit. The revised box succinctly chronicles how wars, tax cuts, and a recession caused the U.S. to go from a budget surplus in 2001 to its current deficit.
- Deleted the paragraph that discussed TIPs.
- Deleted Figure 30-7 (foreign holders of U.S. debt) and moved that information into a short text discussion.

Chapter 31: The Basics of Finance

- Added subheads “Adverse selection” and “Moral hazard,” to break the text discussion of information

asymmetries in financial markets into smaller bites and highlight those terms.

- In the section “Major players in the financial system,” added the subheadings “Commercial banks,” “Investment banks,” “Mutual funds,” “Pension funds,” and “Life insurance policies” for smaller chunking and greater clarity.
- Repurposed the Real Life The incredible index fund box into the new Econ and YOU category and moved it closer to the mutual funds discussion.
- Repurposed the What Do You Think? Are speculators a good influence on markets? box to the From Another Angle category and removed the discussion questions at the end of the box.
- Deleted the text reference to inflation-linked bonds.
- Revised the definition of standard deviation.
- In the section “Predicting returns: The efficient market hypothesis,” added the subheadings “Fundamental analysis,” “Technical analysis,” and “Efficient-market hypothesis,” for smaller content bites and greater clarity.
- In the efficient-market hypothesis discussion, added data about the percentage of managed funds that have beat the market average over time.
- Moved from online-only into the print product the Economics in Action Behavioral finance and the efficient market hypothesis box and retitled it Behavioral finance. The revised box addresses questions that behavioral finance asks about the validity of the efficient-market hypothesis.
- In the “National Accounts Approach to Finance” section, added new Equation 31-5 to show the formula for national savings (and renumbered subsequent formulas).

Chapter 32: Money and the Monetary System

- In the “What Is Money?” section, added a new What Do You Think? No card, no service? box that addresses the arguments for and against a cashless—though not moneyless—economy, particularly focusing on how going cashless may affect the poorest members of society.
- Added a discussion of the resource cost of commodity-backed money.
- Slightly expanded the discussion of the money multiplier, for greater clarity.
- Updated and shortened the From Another Angle Is bitcoin the currency of the future? box.
- Added zero lower bound as a key term.
- In the discussion of the liquidity-preference model, expanded the discussion of interest rates as a determinant of money demand. The revised text example replaces the discussion of government bonds with interest rates on CDs.

Chapter 33: Inflation

- In the “Measuring inflation” discussion, added the formula for how to compute the inflation rate, first introduced in Chapter 25, to remind students.
- Slightly revised the wording of the definition of core inflation.
- Revised the discussion of the quantity theory of money, to work through the intuition more carefully, and added new Equation 33-3 as part of that revised discussion.
- Replaced four maps in Figure 33-4 with one graph.
- Retitled the Economics in Action Inflating away the debt box as Just print money!
- Slightly shortened and simplified the text discussion of the Phillips curve.

- Added a brief mention, with an italicized term, of stagflation in the 1970s, moved from Chapter 34 in the previous edition.

Chapter 34: Financial Crisis

- Shortened the From Another Angle Do investors rationally inflate bubbles? box and retitled it Timing is everything.
- Added a new paragraph about the effects of declining house prices during the housing bubble.
- Revised Figure 34-4 to show total debt service as a percent of income for U.S. consumers; demonstrates the effect of low interest rates on debt service.
- Retitled the Economics in Action Japan's lost decade box as The walking dead

Chapter 35: Open-Market Macroeconomics

- Added a new discussion (text plus new Figure 35-4) showing U.S. exports and imports of services.
- Under the "Foreign investment" heading, added new subheads "Foreign direct investment," "Foreign portfolio investment," and "Net capital flow" for smaller chunks and better student understanding.
- Added an equation that shows total expenditure in an economy and reworked the intuition surrounding the balance of payments calculation, for greater clarity.
- Deleted the Real Life Iceland and the banking crisis box.
- In the "Exchange Rates" section, added a new Economics in Action box The almighty dollar that features research by Gita Gopinath that discusses the predominance of the U.S. dollar, describes costs for other countries, and explores possible alternative currencies.
- Under the subheading "Another example: A rising interest rate," expanded the explanation of the effects of tighter U.S. monetary policy.
- Under the subheading "Is the Chinese currency undervalued?," revised the text discussion about China's floating renminbi and the effect on trade balances.
- Moved from online only into the print product the From Another Angle box Cooling down hot money about the possible application of a small tax to all foreign-capital transactions (e.g., the Tobin tax or the Spahn tax).

Chapter 36: Development Economics

- In the chapter-opening introduction, added a short paragraph about the authors' interest in development economics.
- Revised the What Do You Think? Utility versus capabilities box to focus less on utility and more on capability (work of Amartya Sen).
- Revised the From Another Angle Trillion-dollar bills on the sidewalk? box, retitled as Is immigration the answer?
- Updated (and shortened) the What Do You Think? Should the U.S. give more in foreign aid? box.
- Updated the discussion of the U.N. Millennium Development Goals—now known as Sustainable Development Goals.
- Replaced the From Another Angle In Zambia, did the Steelers win Super Bowl XLV?" box with a new Econ and You Buy a shoe, give a shoe box about TOMS (shoes) goods-in-kind giving program.
- Added a new From Another Angle Cash, no strings attached box about GiveDirectly, an

organization built around the idea that the best way to give aid is to give cash.

Guide to Data Sources

- Updates to sources and revisions to accompanying questions have been made for currency.

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