



Schiller: Essentials of Economics 11e

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New in This Edition

The dedication of *Essentials* to introducing core economic principles in a real-world context requires every edition to focus on trending policies and front-page developments. As in earlier editions, this eleventh edition strives to arouse interest in economic theories by illustrating them in the context of actual institutions, policy debates, and global developments. The following list highlights both the essential focus of each chapter and the new material that enlivens its presentation:

Chapter by Chapter Changes

Chapter 1: The Challenge of Economics—The first challenge here is to get students to appreciate the concept of *scarcity* and how it forces us to make difficult choices among desirable, but competing, options. That is really the essence of economic thinking. How we make those choices is also critical. Political campaigns always seem to suggest that we can have it all, without higher taxes or other sacrifices. With the 2020 elections looming on the horizon, we have another chance to emphasize opportunity costs. The opportunity costs of North Korea’s stepped-up rocket program and the implied costs of “affordable” health care also make for good illustrations.

Chapter 1 includes eight new Problems, two new Discussion Questions, one new News Wire, and new opinion polls about fears of another recession in 2020 and the prospects for the next generation of Americans.

Chapter 2: The U.S. Economy—The purpose of this chapter is to give students an accurate picture of the size and content of the U.S. economy, especially as compared to other nations. Most students have no sense of how large the U.S. economy is or what it produces or trades. The description here is organized around the core questions of What, How, and For Whom output is produced. The portrait includes the latest data on U.S. and global output, income distributions, and government sectors. New News Wires on global happiness rankings, global inequalities, and manufacturing output vs. employment help put the changing answers to the What question into perspective. There are eight new Problems and a Policy Perspective on global poverty.

Chapter 3: Supply and Demand—This introduction to the market mechanism explains how markets set both prices and production for various goods. Interesting new News Wires include the shortages that accompany new iPhone launches and the impact of falling gasoline prices on sales of electric vehicles. Four new Problems and four new Discussion Questions are included, as well as a new Policy Perspective on post-hurricane price gouging.

Micro

Chapter 4: Consumer Demand—This chapter starts by looking at patterns of U.S. consumption, then analyzing the demand factors that shape those patterns. The elasticity of demand gets a lot of attention, as illustrated by consumer responses to iMac prices, price hikes at Starbucks, and higher gasoline prices (all new News Wires). There are four new Problems and three new Discussion Questions.

Chapter 5: Supply Decisions—The key point of this chapter is to highlight the difference between what firms *can* produce (as illustrated by the production function) and what they *want* to produce (as illustrated by profit-maximization calculations). The importance of marginal costs in the production decision gets its proper spotlight. The Tesla decision to build a “Gigafactory” in Shanghai is used to contrast the long-run *investment decision* and the short-run *production decision*. The addition of three new Discussion Questions keeps the topic lively.

Chapter 6: Competition—This first look at market structure emphasizes the lack of pricing power possessed by small, competitive firms. Perfectly competitive firms must relentlessly pursue cost reductions, quality improvements, and product innovation if they are to survive and prosper. Although few firms are perfectly competitive, competitive dynamics keep all firms on their toes. Those dynamics affect even the behavior of such giants as Apple (relentlessly trying to stay ahead of the pack)—not just the small T-shirt vendors on beach boardwalks (both new News Wires). How firms locate the most profitable rate of production with the use of market prices and marginal costs is illustrated. The chapter includes four new Problems and three new Discussion Questions. The chapter-ending Policy Perspective considers how competition helps rather than hurts society.

Chapter 7: Monopoly—As a survey introduction to economics, *Essentials* focuses on the differences in structure, behavior, and outcomes of only two market structures—namely, perfect competition and monopoly. This two-way contrast underscores the importance of market structure for social welfare. The monopoly produces less and charges more than a competitive market with the same cost structure, as illustrated with a step-by-step comparison of market behavior. The various barriers monopolies use to preserve their position and profits are illustrated as well. The chapter includes three new Problems, three new Discussion Questions, and three News Wires on monopoly-like behavior in Big Pharma, canned tuna, and oil.

Chapter 8: The Labor Market—The looming 2020 elections are showcasing very different views about income equality, minimum wages, unions, and mandatory workforce regulations. This chapter delves into these issues by first illustrating how market wages are set and then examining how various interventions alter market outcomes. Highlighted stories include Dale Earnhardt’s earnings, Nick Saban’s salary and benefits at Alabama, minimum-wage proposals, and Bernie Sanders’ critique of CEO pay. Of special interest to students is the latest data on salaries for college grads in various majors. There are three new Problems and four new Discussion Questions.

Chapter 9: Government Intervention—Another focus of every election is the appropriate role for government in a market-driven economy. This chapter identifies the core rationale for government intervention and offers new illustrations of public goods (Israel’s “Iron Dome” anti-missile program) and externalities (the Keystone XL Pipeline). There is also new poll data on trust in government. The chapter includes four new Problems and one new Discussion Question.

Macro

Chapter 10: The Business Cycle—This introduction to macro examines the up-and-down history of the economy and then looks at the impact of cyclical instability on unemployment, inflation, and the distribution of income. The goal here is to get students to recognize why macro instability is a foremost societal concern. The latest macro data are incorporated, along with a new News Wire on seasonal unemployment, four new Problems, and one new Discussion Question.

Chapter 11: Aggregate Supply and Demand—This chapter gives students a conceptual overview of the macro economy, highlighting the role that market forces and other factors play in shaping macro outcomes. Aggregate supply (AS) and aggregate demand (AD) are assessed, with an emphasis on the distinction between curve positions and curve shifts (the source of instability). The bottom line is that either AS or AD must shift if macro outcomes are to change. A News Wire on the aftermath of Hurricane Harvey illustrates how an aggregate supply curve can shift. There are five new Problems and three new Discussion Questions. The Policy Perspectives section summarizes the broad policy options that President Trump and other presidents have at their disposal to alter market outcomes.

Chapter 12: Fiscal Policy—This chapter highlights the potential of changes in government spending and taxes to shift the AD curve. The power of the income multiplier is illustrated in the context of the AS/AD framework and operationalized with analysis of the 2017 income tax cuts. The implications of fiscal policy for budget deficits are also examined. Updated budget data are included, along with five new Problems and three new Discussion Questions.

Chapter 13: Money and Banks—ApplePay and Bitcoins are used to illustrate differences between *payment services* and *money*. A News Wire focuses on the methods of payment consumers utilize. The core of the chapter depicts how deposit creation and the money multiplier work, using a step-by-step illustration of each. The Policy Perspectives section assesses why Bitcoins aren’t really “money.” There are six new Problems and one new Discussion Question.

Chapter 14: Monetary Policy—In this chapter, students first get an overview of how the Federal Reserve is organized, including an introduction to Jerome Powell. Then the three basic tools of monetary policy are illustrated, with an emphasis on how open-market operations work. The narrative then focuses on how the use of these monetary tools shifts the AD curve, ultimately affecting both output and prices. News about China’s cut in reserve requirements helps illustrate the intended effects. The 2008–2015 spike in excess reserves is also

discussed, along with the Fed's new policy targeting. The chapter includes seven new Problems and three new Discussion questions.

Chapter 15: Economic Growth—The challenge of every society is to grow its economy and lift living standards. This chapter reviews the world's growth experience and then highlights the factors that affect growth rates. Of special interest in today's policy context is the role of immigration in spurring growth. The chapter's Policy Perspectives section examines whether economic growth is desirable, a question which students often ask. There are eight new Problems and four new Discussion Questions.

International

Chapter 16: International Trade—Students are first introduced to patterns of global trade, highlighting international differences in export dependence and trade balances. Then the question of “why trade at all?” is explicitly addressed, leading into an illustration of comparative advantage. Of importance is also a discussion of the sources of resistance to free trade and the impact of trade barriers. A News Wire illustrates how some people lost from President Trump's tariff policies and how others won. In addition to updating all data, four new News Wires, five new Problems, and two new Discussion Questions are included.

Capstone

Chapter 17: Theory and Reality—This unique capstone chapter addresses the perennial question of why economies don't function better if economic theory is so perfect. The chapter reviews the major policy tools and their idealized uses. Then it contrasts theoretical expectations with real-world outcomes and asks why macro performance doesn't live up to its promise. Impediments to better outcomes are explored, and the chapter ends by asking students whether they favor more or less policy intervention. Lots of new data are incorporated, along with four new Problems and three new Discussion Questions.