



International
Edition

The Economics of Macro Issues

Fifth Edition



PEARSON

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PREFACE

Times have changed, and so has this book. Once again, the macro-economic policy scene has witnessed a profound transformation over a remarkably short period of time. Since our last revision, the United States has endured one of the most severe recessions of the past hundred years, and both fiscal and monetary policy have changed dramatically. Indeed, agencies of the U.S. government—ranging from the Treasury to government-sponsored enterprises—have become the *de facto* guarantors of most of the U.S. housing market and virtually every large-scale commercial venture in the nation. The Federal Reserve System has expanded its credit allocation operations to make itself into an industrial policy fiefdom. And along the way, the U.S. taxpayer has been put on the hook, explicitly or implicitly, for trillions of dollars in new obligations. Not since World War II has the American economy undergone such change.

POLICY REVOLUTION

In short, things have happened to the economy that many economists had thought impossible, and the fiscal and monetary authorities have responded with nothing short of revolutionary changes in the way they conduct policy. Because this book is about our times, these changes have induced us to once again transform this edition of *The Economics of Macro Issues*. As just one example, virtually the entire section dealing with fiscal policy has been thrown out, and we have started again from scratch. The result of our revisions, we believe, is a book that addresses more critical new issues with more timeliness and, we hope, more insight than any prior edition. We also believe that we are able to showcase pivotal developments in economic affairs and policymaking in ways that no other book on the market can match.

NEW TO THIS EDITION

The new issues addressed in this edition include the following:

- Going Underground—how the underground economy sustains prosperity
- The Threat to Growth—why higher taxes can mean less prosperity
- Is GDP What We Want?—is there a better measure than GDP?
- The Great Recession—why it happened and why it was a big deal

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