The third edition of Common Sense Economics (St. Martin’s Press, 2016) published in June, 2016. While the organization of the book remains largely unchanged, the data are updated and the examples refreshed. In the third edition, Joseph Calhoun of Florida State University joins James Gwartney, Rick Stroup, Dwight Lee, and Tawni Ferrarini on the author team. As in the first and second editions, we worked hard to make economics understandable, relatable, and relevant for all with special attention drawn to the reader who has had limited or no contact with an economics or personal finance course.

Part 1 focuses on 12 key elements of economics, including the power of incentives, gains from trade, demand and supply, the role of profit and loss, the operation of markets, and the importance of unintended secondary effects. These concepts are then used in the other three parts of the book to explain why some nations prosper while others stagnate (Part 2); the potential of productive action through government and why the political process is often dominated by interest groups, government favoritism, and unsustainable debt (Part 3); and how individuals can improve their personal financial decision-making and live a financially secure, personally rewarding life (Part 4).

To effectively engage today’s young people, the Common Sense Economics author team pays very close attention to their revealed preferences for multimedia learning spaces. Therefore, we offer all adopters a course shell comprised of 17 core modules. Each module includes a list of key topics, short video clips, podcasts, interactive exercises, “social media” discussion topics, PowerPoint slides, and engaging assignments. The course shell helps seasoned and new course instructors bring students to a place where they can learn by reading, watching, listening, and doing. The overall design of the course provides the proper incentives to advance students along their economics and personal financial learning curves, finish the course, and offer positive reviews. The CSE course shell makes economics come alive for students. It excites them about the world in which they live, and it encourages them to use sound economic reasoning to make purposeful decisions as consumers, savers, investors, businesspeople, government officials and engaged citizens.

The updated course cartridges are ready for migration into Canvas, Blackboard, and Moodle 2.9. All files are also available on a stand-alone basis for instructors teaching a traditional seated class or who wish to import into a different learning management system. **All content is offered to instructors at no money cost.**

For instructors who would like to increase the coverage of personal finance or focus solely on microeconomics and macroeconomics, supplementary modules exist for the Common Sense Economics textbook adopter. The course shell is highly customizable. Instructors can use their own materials or they can bring in any of the additional supplemental units that delve deeply into topics like insurance, student debt, buying versus renting a house, fiscal policy, monetary policy, the Economic Crisis of 2008, the Great Depression, and macroeconomic indicators. These additional features make the third edition more valuable as a potential text in both
college and high school basic economics classes. In total, 27 modules are available for you to mix and match in the most effective way for your class.

If you are interested in adopting the book for your course, please register at Certell.org, our marketing and promotional partner. We will then let you know how to obtain a complimentary copy of the book and all of the course materials. Use this link.  
http://www.certell.org/shop/educators/economics/common-sense-economics-course-adoption/

In addition, Common Sense Economics hosts a Facebook page to help you keep current on new developments and link you to discussions on innovative ways of teaching. Please also visit CommonSenseEconomics.com for details of the book, course packages, professional development, and supplementary materials.

Lastly, let us know how we can help you bring economics and personal finance to your students. We’re here to assist.

Warm regards,

Jim Gwartney, Rick Stroup, Dwight Lee, Tawni Ferrarini, and Joe Calhoun

What economic educators are saying about Common Sense Economics

- “Common Sense Economics takes the economic way of thinking to the next level. If every high school graduate understood the principles in this book, people would make wiser choices as consumers, producers, and citizens and the United States would be more prosperous.” —John Morton, former vice president for Program Development, National Council on Economic Education

- “Voters, young and old, will welcome a set of crystal clear, time-tested, and logical economic principles which address building national prosperity, personal wealth, and bringing efficiency to government. Common Sense Economics opens the door to rational economic, political, and personal choices. It offers a nearly indispensable path to clear thinking. It is perfect for both high school and college students.” —Mark C. Schug, Professor Emeritus, University of Wisconsin Milwaukee

- “The authors tell us what everyone should know about economics in language we can all understand. It's refreshing, when five of the best in the profession avoid the all-too-common practice of writing in a code that only other economists can comprehend.” —Robert McTeer, former President, Federal Reserve Bank of Dallas
Excerpts from *Common Sense Economics, third edition*

**Opportunity cost:** Have you ever thought about why women with more education are more likely to work outside the home than their less-educated counterparts? Opportunity cost provides the answer. The more highly educated women will have better earning opportunities in the workforce, and therefore it will be more costly for them to stay at home. The data are consistent with this view. In 2013, 79.5 percent of women aged 25 to 64 with a college education (or more) were in the labor force, compared to only 64.4 percent of their counterparts with only a high school education and 46 percent of the women with less than 12 years of schooling.

**Role of profit and loss:** The reward-penalty structure of a market economy is clear. Entrepreneurs who produce efficiently and who anticipate correctly the goods and services that attract consumers at prices above production cost will prosper. In contrast, business executives who allocate resources inefficiently, into areas where demand is weak, will be penalized with losses and financial difficulties.

**Production of value versus jobs:** The focus on creating jobs can be extremely misleading, as an apocryphal story about an engineer visiting China illustrates. He came across a large crew of men building a dam with picks and shovels. When the engineer pointed out to the supervisor that the job could be completed in a few days, rather than many months, if the men were given motorized earthmoving equipment, the supervisor said that such equipment would destroy many jobs. “Oh,” the engineer responded, “I thought you were interested in building a dam. If it’s more jobs you want, why don’t you have your men use spoons instead of shovels?”

**Economic growth and living standards:** During the past 200 years, economic growth, particularly in the West, has elevated living standards and improved both the length and quality of life. This period, however, is exceptional. Throughout most of human history, economic growth has been extremely rare. Prior to 1800, most of the world’s population worked hard for 50, 60, and 70 hours per week in order to obtain enough food and shelter for subsistence. Living standards in 1800 were not much different than a thousand years earlier, or even 2000 years earlier during the time of ancient Rome.

“*Common Sense Economics makes* economic principles as obvious and simple as they can be. By weaving careful reasoning with memorable examples and clear writing, the authors explain how economies grow (or don’t grow); how prices coordinate economic activity; and how governments promote or deter economic progress. This is an extraordinary contribution to economic education.” —Kenneth G. Elzinga, Robert C. Taylor Professor of Economics, University of Virginia
Trade restrictions and living standards: Trade restrictions neither create nor destroy jobs; they reshuffle them. The restrictions artificially direct workers and other resources toward the production of things that we produce at a higher cost than others do. Output and employment shrink in areas where our resources are more productive—areas where our firms could compete successfully in the world market if it were not for the impact of the restrictions. Thus labor and other resources are shifted away from areas where their productivity is high and moved into areas where it is low. Such policies reduce both the output and income levels of Americans.

Institutions and economic progress: The area of study that analyzes the impact of institutions and policies on economic growth, development, and performance is known as the New Institutional Economics. According to this view, institutions and policies that encourage productive actions and discourage predatory behavior provide the key to growth and prosperity. While there is some debate about the precise institutions that are most appropriate for the achievement of rapid growth, there is considerable agreement that secure property rights, open markets, monetary stability, and minimal trade restrictions are central to the establishment of a sound institutional environment.

Economics of market failure: Our analysis indicates that public goods and externalities may undermine the efficient operation of markets. Economists use the term market failure to describe the situation where the existing structure of incentives creates a conflict between personal self-interest and getting the most out of the available resources. Market failure encourages self-interested decision-makers to engage in counterproductive rather than productive activities.

Market failure and government failure: Economic analysis indicates there are cases where markets will fail to allocate resources efficiently. But this is also true of the political process. Put another way, there is government failure as well as market failure. Government failure is present when the incentives confronted by political participants encourage counterproductive rather than productive use of resources. Like market failure, government failure reflects the situation where there is a conflict between what is best for individual decision-makers and getting the most value out of resources.

Government favoritism and inefficient use of resources: Once businesses and other interest groups become heavily involved in providing politicians with support in exchange for subsidies and favoritism, these forces will be very difficult to restrain. As government favoritism grows and both the recipients and politicians become more dependent on it, transfer spending will grow and resources will move away from productive activities. Moreover, deceitful behavior, unethical relations, and even corruption will become commonplace.

Thinking about career choices: Sound career decision-making involves more than figuring out those things that you do best. It is also vitally important to discover where your passions
lie—those productive activities that provide you with the most fulfillment. If you enjoy what you do and believe it is important, you will be happy to do more of it and work to do it better. Thus, competency and passion for an activity tend to go together. Moreover, real wealth is measured in terms of personal fulfillment.

**Budgeting and achieving your goals:** Most financial insecurity today is the product of unsound choices. Spending more than you earn, building up debt without concern for how to repay it, lack of budgeting, and other unwise financial habits create havoc and cause stress. A commitment to budgeting is key to obtaining a healthy financial life and achieving your personal goals. Successful personal finance involves strategic planning. There must be a plan in place to guide how the spending, saving, and investment are directed toward wealth creation. For the individual or household, that plan is a budget. A budget helps you channel your funds toward sound spending, regular saving, and diversified investments in a manner that will provide you with the most value from your income.

**Borrowing to invest in education:** It is risky to borrow a large sum of money to finance an education expected to result in low future earnings. As we indicated in Part 4, Elements 1 and 2, it is important to choose a work activity that you enjoy. But, your choice needs to be well informed. Search for and discover the expected earnings in the occupations for which you are training. We want you to make informed choices that will lead to the largest possible return on your educational investment—including the personal satisfaction you derive from the employment.