

Principles of Economics 2e Release Notes 2018

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Page Count Difference:

In the latest edition of *Principles of Economics 2e*, there are 972 pages compared to the 974 pages in the last edition. This page count variation is due to a code release to conserve space.

Errata:

Location	Detail	Resolution Notes	Error Type
Ch 2: Choice in a World of Scarcity, Sec 1: How Individuals Make Choices Based on Their Budget Constraint, Exercise 1	<p>In 'How Individuals Make Choices Based on Their Budget Constraint' there are some typos in the solution of exercise 1.</p> <p>With the new, higher price of bus tickets, the opportunity cost rises to \$1/\$2 or 0.50. You can see this graphically since the slope of the new budget constraint is flatter (this has to be steeper) than the original one. If Alphonso spends all of his budget on burgers, the higher price of bus tickets has no impact so the horizontal (this has to be vertical) intercept of the budget constraint is the same. If he spends all of his budget on bus tickets, he can now afford only half as many, so the vertical (this has to be horizontal) intercept is half as much. In short, the budget constraint rotates clockwise around the horizontal (this has to be vertical) intercept, flattening (this has to be steepening) as it goes and the opportunity cost of bus tickets increases.</p> <p>Credits to spotting this mistake go to Leah on Khan Academy.</p>	<p>Revise the solution to exercise 1 as follows:</p> <p>...You can see this graphically since the slope of the new budget constraint is steeper than the original one. If Alphonso spends all of his budget on burgers, the higher price of bus tickets has no impact so the vertical intercept of the budget constraint is the same. If he spends all of his budget on bus tickets, he can now afford only half as many, so the horizontal intercept is half as much. In short, the budget constraint rotates clockwise around the vertical intercept, steepening as it goes and the opportunity cost of bus tickets increases.</p>	Typo
Ch 2: Choice in a World of Scarcity,	"In our example, Brazil has a comparative advantage in sugar	Revise as follows:	Other factual

<p>Sec 2: The Production Possibilities Frontier and Social Choices</p>	<p>cane and the U.S. has a comparative advantage in wheat. One can easily see this with a simple observation of the extreme production points in the PPFs of the two countries. If Brazil devoted all of its resources to producing wheat, it would be producing at point A. If however it had devoted all of its resources to producing sugar cane instead, it would be producing a much larger amount, at point B."</p> <p>The second sentence here is misleading and could be interpreted as referring to absolute advantage. I suggest it be cut or changed to something about the slope of the curves, not the "extreme production points."</p>	<p>Before the sentence that starts with "In our example" add the following: "Comparative advantage is not the same as absolute advantage, which is when a country can produce more of a good." Revise the rest of the paragraph as follows: "In our example, Brazil has an absolute advantage in sugar cane and the U.S. has an absolute advantage in wheat. One can easily see this with a simple observation of the extreme production points in the PPFs of the two countries. If Brazil devoted all of its resources to producing wheat, it would be producing at point A. If however it had devoted all of its resources to producing sugar cane instead, it would be producing a much larger amount than the U.S., at point B."</p>	<p>inaccuracy in content</p>
<p>Ch 4: Labor and Financial Markets, Critical Thinking Question 23</p>	<p>In question 27, minimum wage is a price floor and hence there should tend to be a surplus in in labor (unemployment) if the price floor is binding. Change question 27 so that there is a surplus in labor(unemployment)</p>	<p>Revise question 27 as follows: Under what circumstances would a minimum wage be a nonbinding price floor? Under what circumstances would a living wage be a binding price floor?</p>	<p>Incorrect calculation or solution</p>
<p>Ch 4: Labor and Financial Markets, Problem 29</p>	<p>The question references oil throughout, but the first sentence of part c references coal. This is a holdover from the previous edition. The sentence should read: "Several major companies that do not drill oil open factories in Texas, offering many well-paid jobs." (Note the instructor solution manual has the correct oil reference.)</p>	<p>In part a, revise "coal" to "oil". In part c, revise "mine coal" to "drill oil".</p>	<p>Typo</p>
<p>Ch 4: Labor and</p>	<p>"Many economists believe that the</p>	<p>Revise the sentence to "Many</p>	<p>Typo</p>

<p>Financial Markets, Sec 1: Demand and Supply at Work in Labor Markets, Subsec: Technology and Wage Inequality: The Four-Step Process</p>	<p>trend toward greater wage inequality across the U.S. economy that improvements in technology." I think there's a verb missing here in the second part of the sentence</p>	<p>economists believe that the trend toward greater wage inequality across the U.S. economy is due to improvements in technology."</p>	
<p>Ch 5: Elasticity, Sec 1: Price Elasticity of Demand and Price Elasticity of Supply, Exercise 25</p>	<p>The chapter called 'Price elasticity of demand and price elasticity of supply' has the following critical thinking question:</p> <p>'Transatlantic air travel in business class has an estimated elasticity of demand of 0.40 less than transatlantic air travel in economy class, with an estimated price elasticity of 0.62. Why do you think this is the case?'</p> <p>https://www.khanacademy.org/economics-finance-domain/microeconomics/elasticity-tutorial/price-elasticity-tutorial/a/price-elasticity-of-demand-and-price-elasticity-of-supply-cnx</p> <p>Later on, 'Elasticity and pricing' has the following data:</p> <p>Transatlantic air travel, economy class 0.12 Transatlantic air travel, first class 0.40 Transatlantic air travel, business class 0.62</p> <p>https://www.khanacademy.org/economics-finance-domain/microeconomics/elasticity-tutorial/price-elasticity-tutorial/a/elasticity-and-pricing-cnx?</p> <p>I'm not sure which numbers are right and which are wrong, but I'm pretty sure the price elasticity of 0.12 in the second article is wrong.</p>	<p>Revise exercise 25 as follows:</p> <p>25. Transatlantic air travel in business class has an estimated elasticity of demand of 0.62, while transatlantic air travel in economy class has an estimated price elasticity of 0.12. Why do you think this is the case?</p>	<p>None</p>

<p>Ch 5: Elasticity, Sec 2: Polar Cases of Elasticity and Constant Elasticity, Exercise 3</p>	<p>The first self-check question of Polar Cases of Elasticity and Constant Elasticity is this:</p> <p>Why is the demand curve with constant unitary elasticity concave?</p> <p>The demand curve with constant unitary elasticity is concave because at high prices, a one percent decrease in price results in more than a one percent increase in quantity. As we move down the demand curve, price drops and the one percent decrease in price causes less than a one percent increase in quantity.</p> <p>But that answer seems wrong. At high prices, a one percent decrease in price results in a one percent increase in demand. That's pretty much the definition of unitary elasticity.</p> <p>Credits to mentioning this go to Ajinkya Goyal on Khan Academy.</p>	<p>Revise the solution to exercise 3 as follows:</p> <p>The demand curve with constant unitary elasticity is concave because the absolute value of declines in price are not identical. The left side of the curve starts with high prices, and then price falls by smaller amounts as it goes down toward the right side. This results in a slope of demand that is steeper on the left but flatter on the right, creating a curved, concave shape.</p>	<p>None</p>
<p>Ch 12: Environmental Protection and Negative Externalities, Sec 1: The Economics of Pollution</p>	<p>"This seems to indicate that there has been progress made in the United States in reducing overall carbon dioxide emissions, which cause greenhouse gases." That last clause "which cause greenhouse gases" is bad phrasing (one can't cause a gas); "are greenhouse gases" or "contribute to the greenhouse effect" or something else would make more sense semantically.</p>	<p>In the last sentence of the 1st paragraph, revise "reducing overall carbon dioxide emissions, which cause greenhouse gases" to "reducing overall carbon dioxide emissions, which contribute to the greenhouse effect."</p>	<p>Other factual inaccuracy in content</p>
<p>Ch 12: Environmental Protection and Negative Externalities, Self-Check Question 11</p>	<p>In the second question, the solution changes the last row's total benefit to \$480 from \$380 in the problem.</p>	<p>In the solution, revise "\$480" to "\$380".</p>	<p>Typo</p>
<p>Ch 13: Positive Externalities and Public Goods, Problem 24</p>	<p>The question refers to "the following diagram (show the equilibrium P_{market}, Q_{market})", but there is no such diagram below</p>	<p>Revise the question as follows: Assume that the marginal private costs of a firm</p>	<p>Other</p>

	the problem.	producing fuel-efficient cars is greater than the marginal social costs. Assume that the marginal private benefits of a firm producing fuel-efficient cars is the same as the marginal social benefits. Discuss one way that the government can try to increase production and sales of fuel efficient cars to the socially desirable amount. Hint: the government is trying to affect production through costs, not benefits.	
Ch 14: Labor Markets and Income, Sec 1: The Theory of Labor Markets; Sec 3: Market Power on the Supply Side of Labor Markets: Unions	There's similarly a line in 14.1 "In summary, union membership in the United States is lower than in many other high-income countries, a difference that may be due to different legal environments and cultural attitudes toward unions." that doesn't belong. Both the critical thinking questions and glossary in this section appear to actually belong with 14.5 Employment Discrimination (as it was in the previous edition).	In 14.1, delete the sentences "In summary, union membership in the United States is lower than in many other high-income countries, a difference that may be due to different legal environments and cultural attitudes toward unions." Ensure Key Terms and Critical Thinking Questions appear in the correct section.	Other
Ch 14: Labor Markets and Income, Sec 5: Employment Discrimination	"An employer can use a range of public policies to reduce earnings gaps between men and women or between white and other racial/ethnic groups: requiring equal pay for equal work, and attaining more equal educational outcomes." should probably begin with "A government" instead	In the section summary, revise the last sentence as follows: A range of public policies can be used to reduce earnings gaps...	Typo
Ch 14: Labor Markets and Income, Sec 5: Employment Discrimination	The following link needs a new target: (http://openstaxcollege.org/l/catalyst)	Update URL to: http://www.catalyst.org/ .	Broken link
Ch 14: Labor Markets and Income, Sec 5: Employment Discrimination, Self-Check Question 8	The first self-check question has no solution, in both senses of the word: the supply curve has decreasing with quantity, which is unrealistic, there is not enough information to answer (with no information on productivity or	In Table 14.13, revise the values in the second column titled "Wage" from top to bottom as follows: 1, 3, 5, 7, 8, 10. Revise part b to "If each unit	Incorrect calculation or solution

	revenue), and there is simply no solution given. This problem also appears to belong better in 14.2.	of labor's marginal revenue product is \$13, what is the firm's profit maximizing level of employment and wage?"	
Ch 17, 17.1 How Businesses Raise Financial Capital; Self-Check	In part a, the solution says "The management of small companies might rather do an IPO right away, but until they get the company up and running, most people would pay very much for the stock because of the risks involved." It should be "not pay very much"	Fixed typo	Typo
Ch 18: Public Economy, Sec 3: Flaws in the Democratic System of Government	The instant runoff voting link is broken; I'm guessing it led to something like here: http://www.fairvote.org/rcv#rcvbenefits	Update URL to: http://www.fairvote.org/rcv#rcvbenefits	Broken link
Ch 19: The Macroeconomic Perspective, Sec 3: Tracking Real GDP over Time, Table 19.7	Table: U.S. Business Cycles since 1900 I believe the most-recent couple rows are wrong: for instance, June 2009 is clearly the trough (of the Great Recession) not the peak. See attached file for what I believe is the corrected rows (with current date thrown in for amusement) in a sort of merger of the original NBER formatting and the textbook formatting; I think the missing "March 1991" cell is what threw it off.	Revise the last two rows of the Table as follows: March 1991 March 2001 8 120 November 2001 December 2007 8 73	Other factual inaccuracy in content
Ch 20: Economic Growth, Sec 2: Labor Productivity and Economic Growth, Subsec: Sources of Economic Growth: The Aggregate Production Function	"which is the technical relationship by which economic inputs like labor, machinery, and raw materials like goods and services that consumers use" is ungrammatical, perhaps "technical relationship between" would work	Revise the first sentence as follows: To analyze the sources of economic growth, it is useful to think about a production function, which is the technical relationship by which economic inputs like labor, machinery, and raw materials are turned into outputs like goods and services that consumers use.	Typo
Ch 20: Economic Growth, Self-Check Question 9	"(for example, if international capital inflows which are the counterpart to increasing the trade deficit) lead to an increase in physical capital investment)" The	Revise the solution to part b as follows: There is no direct connection between an increase in	Typo

	<p>parentheses are not balanced, so either placing another before "which". Changing the inner ones to use dashes instead would also work.</p>	<p>international trade and capital deepening. One could imagine particular scenarios where trade could lead to capital deepening (for example, if international capital inflows—which are the counterpart to increasing the trade deficit—lead to an increase in physical capital investment), but in general, no.</p>	
<p>Ch 21: Unemployment, Sec 4: What Causes Changes in Unemployment over the Long Run</p>	<p>"On the demand side of the labor market, government rules social institutions, and the presence of unions can affect the willingness of firms to hire." There should be a comma between "government rules" and "social institutions".</p>	<p>Add a comma between "government rules" and "social institutions".</p>	<p>Typo</p>
<p>Ch 21: Unemployment, Sec 4: What Causes Changes in Unemployment over the Long Run, Review Question 29</p>	<p>"landscapers laid off in response to drop in new housing construction during a recession." should be "a drop" or perhaps "the drop"</p>	<p>Revise part a as follows: "landscapers laid off in response to a drop in new housing construction during a recession."</p>	<p>Typo</p>
<p>Ch 24 The Aggregate Demand/Aggregate Supply Model, Section 4 Shifts in Aggregate Demand</p>	<p>Link it up in this section are not stylized.</p>	<p>Link It Up sections in this PDF should be stylized.</p>	<p>Other</p>
<p>Ch 26: The Neoclassical Perspective, Sec 2: The Policy Implications of the Neoclassical Perspective</p>	<p>The following link needs a new target: (http://openstaxcollege.org/l/Haubrich)</p>	<p>Update URL to: https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/economic-commentary-archives/2009-economic-commentaries/ec-20090809-a-new-approach-to-gauging-inflation-expectations.aspx</p>	<p>Broken link</p>
<p>Ch: 32 Macroeconomic Policy Around the</p>	<p>The information in the caption for the first figure in the section does not match the figures. Specifically,</p>	<p>Revise Figure 18.2 to match the information in the section. Update the figure</p>	<p>Other factual inaccura</p>

World, Sec 1: The Diversity of Countries and Economies across the World, Figure 32.2	the b figure (pie chart) indicates that low-income countries have 11.5 percent of population, but the caption says they have 18 percent. This is a carry over from the 1st edition, most likely.	caption and Table 18.2 to match.	cy in content
Appendix A, Solving Models with Graphs	"The demand curve is then $P = 8 - 0.5Q_d$ and the demand curve is $P = -0.4 + 0.2Q_s$." I think it meant to say "supply curve" on the second one.	Revise "The demand curve is then $P = 8 - 0.5Q_d$ and the demand curve is $P = -0.4 + 0.2Q_s$ " to "The demand curve is then $P = 8 - 0.5Q_d$ and the supply curve is $P = -0.4 + 0.2Q_s$ ".	Typo
Appendix B: Indifference Curves, Sec: Responses to Price Changes: Substitution and Income Effects	In the example about Ogden with haircuts and pizza, it says "The price of haircuts rises to \$30. Ogden starts at choice A on the higher opportunity set and the higher indifference curve. After the price of pizza increases". I think "pizza" should be "haircuts" based on the context and the graph.	Revise to "After the price of haircuts increases, he chooses...".	Typo