

Principles of Macroeconomics 2e Release Notes 2018

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Page Count Difference:

In the latest edition of *Principles of Macroeconomics 2e*, there are 579 pages compared to the 617 pages in the last edition. This page count variation is due to errata revisions and code releases 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</p>	Typo

		<p>around the vertical intercept, steepening as it goes and the opportunity cost of bus tickets increases.</p>	
<p>Ch 2: Choice in a World of Scarcity, Sec 2: The Production Possibilities Frontier and Social Choices</p>	<p>"In our example, Brazil has a comparative advantage in sugar 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>Revise as follows:</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."</p> <p>Revise the rest of the paragraph as follows:</p> <p>"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</p>	<p>Other factual inaccuracy in content</p>

		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."	
Ch 4: Labor and Financial Markets, Sec 1: Demand and Supply at Work in Labor Markets, Subsec: Technology and Wage Inequality: The Four-Step Process	"Many economists believe that the 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	Revise the sentence to "Many economists believe that the trend toward greater wage inequality across the U.S. economy is due to improvements in technology."	Typo
Ch 5: Elasticity, Sec 1: Price Elasticity of Demand and Price Elasticity of Supply, Exercise 25	<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</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>	None

	which are wrong, but I'm pretty sure the price elasticity of 0.12 in the second article is wrong.		
Ch 5: Elasticity, Sec 2: Polar Cases of Elasticity and Constant Elasticity, Exercise 3	<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>	None
Ch: 18 Macroeconomic Policy Around the World, Sec 1: The Diversity of Countries and Economies across the World, Figure 18.2	<p>The information in the caption for the first figure in the section does not match the figures. Specifically, 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.</p>	<p>Revise Figure 18.2 to match the information in the section. Update the figure caption and Table 18.2 to match.</p>	Other factual inaccuracy in content
Appendix A, Solving Models with Graphs	<p>"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.</p>	<p>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</p>	Typo

		curve is then $P = 8 - 0.5Q_d$ and the supply curve is $P = -0.4 + 0.2Q_s$.	
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