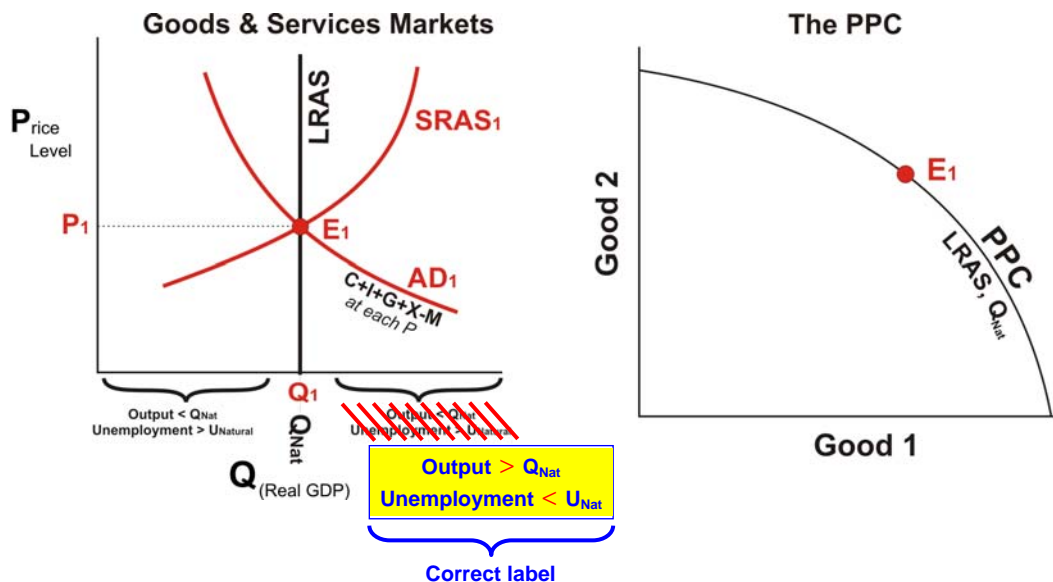


## Major Corrections to the 1<sup>st</sup> Edition of Horizons in Macroeconomics by John Lovett 2010 Kendall Hunt

Corrections that I've noted as of 24 Jan, 2012

**Chap 17, p 233:** Wrong labels (< versus >) at bottom right of AD-SRAS, **figure 17.5.**

**Figure 17.5: AD-AS**



**Chap 18, p 253** In the 2<sup>nd</sup> to last paragraph of section **18.D**, I left the "non"- out of "non-activists" It should read;

"In short, **non**-activists have two reasons to believe the private sector self-corrects rapidly."

**Chap 22, p 300:** The first paragraph of section **22.E** should read;

"Monetary restraint consists of taking steps to decrease the money supply, discourage lending by bank, and drive interest rates ~~down~~ **up**."

### Chapter 3 Study Questions

**# 14 and 15 (p 324)**

The \$'s should not be in options **c** and **b**.

- |  |   |
|--|---|
| <p><b>a.</b> No change</p> <p><b>c.</b> Only an increase <math>\uparrow</math> in quantity demanded</p> <p><b>e.</b> An increase in demand</p> | <p><b>b.</b> Only a decrease <math>\downarrow</math> in quantity demanded</p> <p><b>d.</b> A decrease in demand</p> |
|--|---|

## Chapter 4 Study Questions

### # 5 (p 326)

Options **b**, **c**, and **d**, should read as follows:

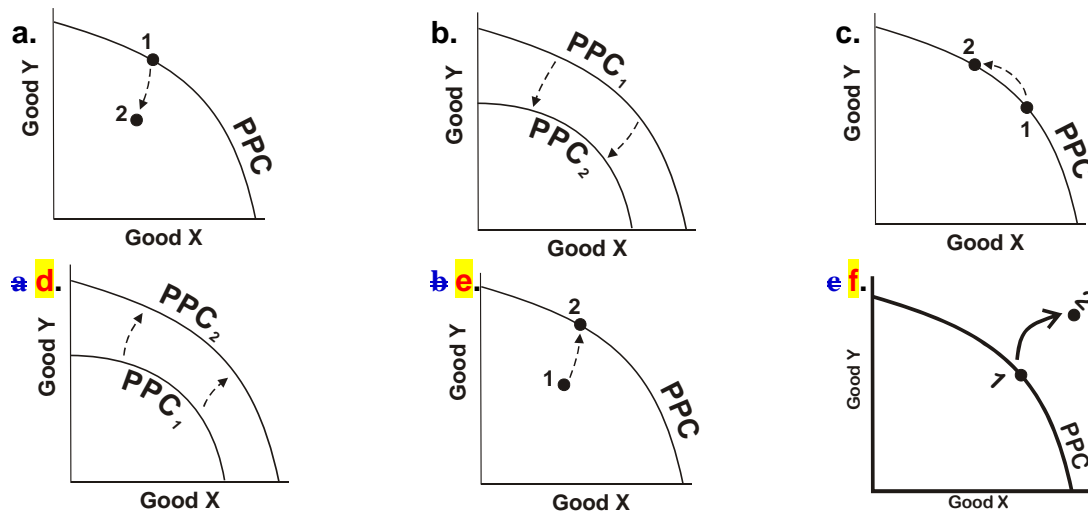
- still efficient. If the air pollution is truly harmful, buyers will be willing to pay less for cement.
- a “market failure.” **\$ v**otes will not accurately reflect the costs and benefits to society of producing the good.
- A **classic** example of the “invisible hand” **concept in action**. People are being harmed, even though they are likely unaware of it.
- A **classic** example of the “invisible hand” **concept in action**. It appears that the cement manufacturers are wholly responsible for the harm when the majority of the blame lies with cement buyers.

### # 14 (p 328) Darn those “?” marks again. # 14 should read as follows:

\_\_\_\_\_ Economists often use the price a good sells for as a proxy for how much people and society value it (at the margin). By this method, a fancy \$8,000 crystal vase is worth 1,000?x an \$8 can of infant formula. Now, consider two countries. Country A has a very equal distribution of income. Country B has a very unequal distribution of income. In which country is a good price likely the **better** measure of a good’s value to people?

## Chapter 5 Study Questions

Questions 4 – 14 (p 330): The options are mislabeled. They should go **a**, **b**, **c**, **d**, **e**, **f**.



## Chapter 6 Study Questions

### # 1 (p 333)

The column headings are messed up. The chart should look as follows:

- The following is a chart representing the various stages of production of a blackboard. Fill in the blanks. Assume that this chart captures all stages (and therefore intermediate goods) in the production process.

Stage in the Production Process	Selling Price	Cost of Intermediate Goods	Wages, Rent, & Interest	Profit	Value Added	Payments to resource owners
Barney mines slate	\$ 300	\$ 0	\$277			
Betty buys slate from Barney & cuts it into slabs	\$ 800		\$515			
Wilma buys the cut slate from Betty, finishes it, & adds trim	\$ 1250		\$420			
Fred buys the (wholesale) blackboard from Wilma & sells it to TCU, its final user.	\$ 1500		\$210			
<b>Total</b>						

## Chapter 7D-F Study Questions

### # 5 (p 339)

Delete the “*Be as precise as you can*” at the end of the question and replace it with; “*What type of unemployment was Paul experiencing?*”

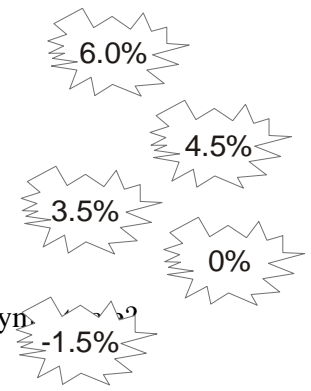
- Paul received his bachelor’s degree in organic chemistry in May of 1995. The economy was booming, and he had little worry about eventually finding a job. Nonetheless, he spent 2 months searching for a job and unemployed before he finally was hired. ~~Be as precise as you can.~~ **What type of unemployment was Paul experiencing?**

### # ‘s 19 - 20 (p 342)

The rightmost column should say “Actual”, not “Cyclical”. Otherwise there is not a single best answer for each question.

**Questions 19–20.** It's 2019, and you are about to get your PhD in economics. All you have to do is make one more presentation. Unfortunately, (1) you were out partying the night before, and (2) your cat has chewed up your notes. The remains of your notes are below. Fortunately you've found some numbers from this **and other** sections. These pieces are randomly scattered at right.

Country	Normal GDP	Actual GDP	Natural U	Cyclical U Actual U
Candyland (# 19)	\$700 B	\$740 B	4.5%	
Neverland (# 20)	\$950 B	\$900 B	4.5%	



19. \_\_\_\_\_ Which of the following is Candyland's actual (i.e., measured) unemployment rate?
- a. 6.0%                      b. 4.5%                      c. 3.5%  
d. 0%                         e. -1.5%
20. \_\_\_\_\_ Which of the following is Neverland's actual (i.e., measured) unemployment rate?
- a. 6.0%                      b. 4.5%                      c. 3.5%                      d. 0%                         e. -1.5%

## Chapter 9 and 10 Study Questions

### #'s 12 and 14 (p 349)

#'s 12 and 14 should refer to the respective prior question (11 and 13), not 5 and 7.

12. \_\_\_\_\_ Which of the following help explain the answer to Question 5. **11**?
- a. Without natural resources we cannot produce anything. Natural resource preservation is one of the main sources of growth in an economy's ability to produce.
- b. Without natural resources we cannot produce anything. However, preserving natural resources is not the same thing as increasing natural resources.
- c. More natural resources means less room for physical capital. Increasing physical capital is the primary key to achieving more production per person.
13. \_\_\_\_\_ Blah, blah, blah.
14. \_\_\_\_\_ Which of the following help explain the answer to Question 7. **13**?
- a. Savings funds new physical capital. Further, twice as much physical capital per person means more than twice as much production per person.
- b. Savings funds new physical capital. Twice as much physical capital per person means twice as much production per person.
- c. Savings funds new physical capital. However, capital, like all resources, is subject to diminishing returns.
- d. Savings takes away from spending on consumption. In the very long run this causes producers to cut production and hiring.
- e. Savings takes away from spending on consumption. When workers have less consumption, they are less productive.

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### Chapter 15C- Exchange Rate Study Questions

**Questions 2 – 3 (p 367):** There should be no “\$” in the question. It’s all about Assumptionstani rubles.

**Questions 2–3:** Yikes! Foreign exchange markets (trade in various currencies) may temporarily be away from equilibrium! Assume that flows between the country of Assumptionstan and the rest of the world are as follows:

Exports of Assumptionstani good to the rest of the world: 400 billion rubles

Imports of Assumptionstani good from the rest of the world: 400 billion rubles

Net Financial capital flow: ✂ 100 billion rubles flowing **into** Assumptionstan.

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### Chapter 19 Study Questions

**# 1 and 14 (p XX - XX)**

1. \_\_\_\_\_ Assume the U.S. economy is at point 1. What policy would a Keynesian or ~~non~~ activist economist recommend to address the situation?