
A First Edition of this text was published by Houghton Mifflin in 2005. If you were one of the users of that edition, you will want to note the following changes which have been made in the Second Edition response to feedback from class testing.

Throughout the text, data, news items, and stories about historical events have been updated. Corrections have been made to the text and supplementary materials, where needed. Additional changes have been made in certain chapters, as described below.

Chapter 1: The PPF discussion has been streamlined (involving somewhat edited figures). Exercise 4 is new.

Chapter 2: The term “modes of economic coordination” has been substituted for “modes of economic organization.” Definitions of factor and product markets have been moved to here, from Chapter 3. Exercise 1 has been split into two exercises (1 and 2). Exercises 3a and 4 (now 4a and 5) have been slightly re-worded.

Chapter 3: A definition of commodities markets has been added, and the definitions of retail and wholesale markets amended. Review Question 9 and Exercise 2 have been modified to take changes into account. Exercise 3 has been expanded.

Chapter 4: Definitions of “positive or direct relationship,” “negative or inverse relationship,” and “ceteris paribus” have been moved to here, where they are first used, from Chapter 7, where they were previously defined. The definition of “equilibrium” as a place of rest has been added, and the former definition applied to the term “market equilibrium.” A paragraph has been added discussing what happens when both supply and demand shift. Exercises have been revised and a number of new exercises have been added.

Chapter 7: Definitions of “positive or direct relationship,” “negative or inverse relationship,” and “ceteris paribus” have been moved from here to Chapter 4, where they are first used, and the definition of “intermediate good” has been deleted since this was explained in Chapter 3. The corn production example has been simplified by making 20 pounds of fertilizer into a single unit (called a “bag”), with corresponding changes to tables and figures. Exercise 7 is new.

Chapter 8: Tables have been slightly altered for clarity, and wording in Exercises 3 and 4 has been modified.

Chapter 9: An Economics in the Real World box on the political economy of trade between England and Portugal has been added.

Chapter 12: The payoff matrix section has been streamlined, and Exercise 2 has been expanded.

Chapter 17: Exercise 4 is new.

Chapter 18: As in Chapter 2, the term “modes of economic coordination” has been substituted for “modes of economic organization.”

Chapters 5, 6, 10, 11, 13,14, 15,16 and 19: Minor updates and corrections only.