

Preface

New editions of our textbooks usually appear every three years, but the world does not stand still in between editions. This *Postscript* has been specially written by David Begg to update readers of both the sixth edition of Begg, Fischer and Dornbusch, *Economics*, published in 2000, and of its new sibling, *Foundations of Economics*, first published in 2001.

This *Postscript* deals with a range of topical issues—the health of the G7 economies, the collapse of the dot.com bubble, the recent fuel crisis, how the euro is doing and whether asylum seekers impose an economic burden. It also gives details of recent winners of the Nobel Prize for Economic Science, and discusses what contributions they made.

Economics is not a dead language but a lens through which we can watch our live and changing world. Enjoy the view.

Postscript Some interesting things have happened since the last edition was written. We use these margin notes to define key terms and summarize important ideas.

Test Quiz

Before you even look at this book, try the quiz below. The questions cover some of the issues economics think about.

- 1** Economics is the study of:
 - a** how to produce the most goods for the most people;
 - b** how society decides what, how, and for whom to produce;
 - c** how to avoid waste and inefficiency.

- 2**
 - a** By encouraging customers, lower food prices raise revenues of farmers.
 - b** By discouraging customers, higher oil prices reduce revenues to oil producers.
 - c** Neither of the above.

- 3**
 - a** Higher income tax rates are a disincentive to work.
 - b** Higher income tax rates are an incentive to work.
 - c** Income tax rates have only a small effect on the incentive to work.

- 4** Public goods are:
 - a** those provided by the public sector;
 - b** those government believes people should consume;
 - c** those which everyone must consume in the same quantity.

- 5** An increase in the proportion of income saved:
 - a** tends to increase output since investment rises;
 - b** tends to reduce output since consumer spending falls;
 - c** tends to increase inflation since the money supply rises.

- 6**
 - a** Inflation makes people worse off because goods become more expensive.
 - b** Inflation makes a country uncompetitive in international markets.
 - c** A high but constant rate of inflation need not be a major problem.

- 7** An exchange rate devaluation improves a country's international competitiveness:
- a** only after a few years;
 - b** only for a few years;
 - c** only if interest rates are simultaneously reduced.
- 8** It is well known that economics cannot forecast changes in stock market prices. This shows:
- a** that economics works;
 - b** that economics pays insufficient attention to real world problems;
 - c** neither of the above.