

PREFACE

All of us confront an endless variety of economic choices. Some of those choices involve such personal matters as financing the purchase of a new car or saving for retirement. Some involve such business matters as cost-effective production techniques or investment in new product development. Some involve such matters of public policy as whether to vote for a school bond initiative or a candidate who advocates a particular flavor of health care reform. Sometimes good economic decision making is just a matter of common sense. But in many situations, a command of basic microeconomic principles helps us understand the consequences of our choices and make better decisions.

Our object in writing this book is to provide students with a treatment of intermediate microeconomics that stimulates their interest in the field, introduces them to the tools of the discipline, and starts them on the path toward “thinking like an economist.” Most students will not turn out to be economists, but whether they end up making business decisions, helping to design public policies, or simply managing their own money, the tools of microeconomics can prove invaluable.

MICROECONOMICS

A STRATEGY FOR LEARNING

Microeconomics is intended for both business-oriented and policy-oriented courses. It provides students with a basic knowledge of essential microeconomic principles. While many fine microeconomics texts are already available, *Microeconomics* offers instructors and students some distinct advantages:

Accessibility. *Microeconomics* does not require calculus. While knowledge of calculus is certainly useful, we believe that students can develop a solid understanding of microeconomic principles, as well as an ability to solve practical quantitative problems, without it.

Clarity. Students face enough challenges while learning microeconomics without having to slog through opaque explanations. We have worked hard to make sure that the writing in *Microeconomics* is transparent, the explanations are clear and intuitive, and the graphs lead students naturally through the key ideas.

Up-to-date coverage. The book covers exciting recent developments in microeconomics, drawing on game theory, information economics, and behavioral economics. Equally important, it offers cutting-edge coverage of traditional core topics, including marginal analysis, consumer theory, producer theory, monopoly, and oligopoly. Applications of theory include discussions of current events and issues.

Accuracy. Sometimes textbooks stretch the truth a bit to make a point seem more obvious to students. We believe that such stretches are rarely desirable. Nor are they necessary, provided adequate attention is given to the development of clear explanations. *Microeconomics* strives to “tell no lies” while ensuring that its explanations are understandable.

Usefulness. Many students who use books that don’t require calculus often learn to do little more than draw pictures to illustrate solutions (for example, of a consumer’s choice from a budget constraint). This does a disservice to students with less mathematical training. In fact, if students are given the right starting points, they can solve a wide range of quantitative problems using only simple algebra. By combining this innovative approach with worked-out problems and in-text exercises, *Microeconomics* allows students of varying mathematical backgrounds to solve problems using microeconomic tools.

Relevance. Students should always understand *why* they are studying topics. Other texts sometimes assure students that new concepts will be useful in contexts where their usefulness is not at all obvious to the average person. We believe that students learn better if they have immediate answers to the questions “Why should I care?” and “What do I gain from learning this?” We also underscore the relevance of the material by featuring fact-based applications (as opposed to hypothetical discussions), which relate directly to one or more of the central aspects of the theory being discussed.

A STRATEGY FOR TEACHING

Calculus and Noncalculus Flexibility

Microeconomics requires no knowledge of calculus. However, an instructor who wishes to teach a calculus-based course using this book can easily do so. For the most important points, explanations involving calculus appear in footnotes, appendices, and certain Add-Ons. In addition, the book includes a large number of quantitative worked-out problems and exercises. Where calculus would ordinarily be required, we simply supply the student with a derivative—for example, a formula for the marginal rate of substitution between goods, or for the marginal product of an input. In the context of consumer theory, the marginal rate of substitution is actually a more natural starting point for analysis than the utility function; after all, the marginal rate of substitution is observable, whereas a utility function is not. For a calculus-based course, an instructor can ask students to verify the derivatives. Supplying the derivatives cleanly separates the calculus portion of problem-solving from the “economic” portion, and prevents the calculus from interfering with students’ understanding of the economics.

True-to-Discipline Organization

The organization of *Microeconomics* is slightly unconventional for an undergraduate microeconomics text. As a discipline, microeconomic theory begins by examining the behavior of individuals in their roles as either consumers or managers of firms. On this foundation, it builds a theory of aggregate economic outcomes, with an emphasis on market equilibria. Logically, it therefore makes sense to study the theory of decision making before diving into an analysis of how markets operate. *Microeconomics* follows the logical structure of the discipline more closely than other texts by clearly distinguishing the study of individual decision making from the analysis of markets.

- **Part I** contains three introductory chapters. The first introduces the field of microeconomics. The second reviews the basic principles of supply and demand. The third elaborates on a central theme of microeconomic reasoning: how to find a decision that maximizes the difference between total benefits and total costs by equating marginal benefits to marginal costs. We invoke that principle repeatedly throughout the rest of the book.
- **Part II** focuses on individuals’ economic decisions. Three chapters on consumer theory and three on producer theory are followed by three chapters covering decisions involving time, uncertainty, and strategy/game theory. An additional chapter examines behavioral perspectives on economic decision making.

- **Part III** concerns markets. To begin, three chapters cover competitive markets, including one on partial equilibrium theory, one on the analysis of government interventions, and one on general equilibrium. We then turn to market failures, including three chapters on monopoly and oligopoly, one on externalities and public goods, and one on asymmetric information (available at www.mhhe.com/bernheim1e).

Flexible Organization

While the organization of the book emphasizes the distinction between topics concerning decision making and topics concerning markets, we recognize that instructors may not wish to teach the material in that order. For example, many instructors may wish to jump directly from basic producer theory to competitive equilibrium, returning to the additional topics on decision making as time allows. The book is written to provide instructors with this flexibility.

Alternative Course Designs

Instructors who use this book can organize their courses in a variety of different ways. A basic **one semester** or **one-quarter course** might cover the core (nonoptional) sections of Chapters 1–9, 14–15, 17, 18.1–18.3, 19, and 20. A more ambitious course or a **course lasting two terms** might cover some optional material from those chapters and parts of Chapters 10–13 (additional topics on decision making), 16 (general equilibrium), the remainder of 18 (price discrimination through self-selection and bundling), and 21 (asymmetric information). As we've noted, the material on decisions involving time, uncertainty, and strategy (game theory) in Chapters 10–12 could be covered immediately after covering consumer and producer theory, or delayed until later in the course.

Business-oriented courses might instead reduce to some degree their coverage of consumer theory (Chapters 4–6) and externalities and public goods (Chapter 20) in favor of covering game theory (Chapter 12) and all of Chapter 18 on pricing policies. More **policy-oriented courses** might skip over Chapter 18 entirely in favor of covering general equilibrium (Chapter 16).

This book is unique in that it devotes a separate chapter to behavioral economics (Chapter 13). That material is entirely compartmentalized, and any instructor who wishes to teach a conventional course on intermediate microeconomics can simply skip the chapter. For those who are interested in introducing behavioral perspectives, we have designed the chapter with a modular structure, so that it can be used in one of two different ways. Most obviously, an instructor can introduce behavioral economics as a stand-alone topic, covering all or part of the chapter. Alternatively, an instructor can integrate behavioral perspectives with traditional perspectives, for example, covering Sections 13.1 and 13.2 after basic consumer theory (Chapters 4 through 6), Section 13.3 after decisions involving time (Chapter 10), Section 13.4 after decisions involving uncertainty (Chapter 11), and Section 13.5 after decisions involving strategy (Chapter 12).

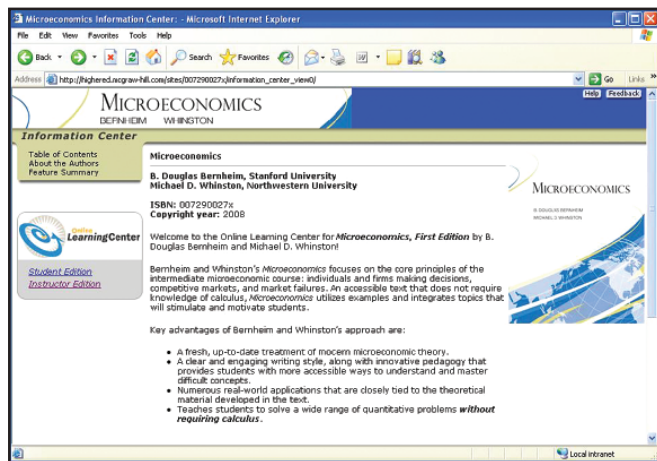
Optional Material

The book contains both core material and optional material. The optional material takes three easy-to-use forms. First, we have identified certain sections of the text as optional by placing a star (*) in front of the section heading. Second, some advanced or specialized topics are covered in chapter appendices. Third, instructors who wish to delve into particular topics more deeply, or to introduce additional topics that enrich and extend the core material, may wish to incorporate one or more of the book's Add-Ons, which can be downloaded at <http://www.mhhe.com/bernheim1e>. Each Add-On is listed in the Table of Contents following the chapter with which it is associated, and readers are referred to these Add-Ons within the text (“readers who are interested in learning more about. . .”). As we receive feedback on the book, we expect to write additional Add-Ons which will also be available through the same Web site.

A STRATEGY FOR UNDERSTANDING

Microeconomics strives to present economics clearly and logically, giving students insight into the world around them. To help instructors make the topic more accessible to students, *Microeconomics* offers a range of materials written to integrate seamlessly with the text, providing extra practice for students and additional resources for teachers. These resources include:

Study Guide—written by Richard Eastin of the University of Southern California Marshall School of Business, the Study Guide to accompany *Microeconomics* gives students even more hands-on practice with the problems and concepts introduced in the book. Chapter discussions serve as short review, while multiple-choice self-quizzes, potential essay questions, and challenge problems help students apply what they've learned and prepare for the exam. The Study Guide is available through the Online Learning Center, so students can print out worksheets as they need them, without lugging around extra material.



Instructor's Manual—written by Jeanne Wendel of the University of Nevada–Reno, with assistance from graduate students Krista Coulter and Malgorzata Sylwestrzak, the Instructor's Manual provides instructors with additional insight into the various chapters and examples in *Microeconomics*, as well as resources for bringing the concepts to life within the classroom. It is a must for new teachers, identifying the goals of each chapter and highlighting common areas of student difficulty. The Instructor's Manual also includes several fully developed case studies that show microeconomics at work in the world and that offer graduated questions—allowing instructors to cover as much or as little of the book as they see

fit, and making the case studies useable from the very first week of class. The Instructor's Manual is available on the instructor's side of the Online Learning Center.

Computerized Test Bank—written by Michael Youngblood of Rock Valley College and Alice Kassens Uhl of Roanoke College, the Test Bank is comprised of over 50 questions per chapter, including multiple-choice, short-answer, and essay question options. The computerized format, available online, enables teachers to create custom tests quickly and efficiently, drawing from the bank and their own material. Created tests can be archived for future use, and questions/answers can be scrambled at the click of a button, allowing instructors to test the same concepts across multiple sections of the same class while combating cheating. The online format allows instructors to administer online exams, quizzes, and assignments, either for use in a computer lab or for additional practice outside of class. The Computerized Test Bank is available on the instructor's side of the Online Learning Center.

PowerPoint Presentations—written by Michele Villinski of DePauw University, the PowerPoint Presentations to accompany *Microeconomics* are cutting-edge, assisting learning by drawing selected graphs one line at a time on screen. The animation—simple enough to be clear while complete enough to be useful—also helps to demonstrate how tables can be assembled and data analyzed when completing problems. The presentations include exhibits from the book itself, creating a seamless connection between what students have read and what they see in the lecture. The PowerPoint Presentations are available to both students and instructors on the Online Learning Center.

Online Learning Center—<http://www.mhhe.com/bernheim1e>. The Online Learning Center is an innovative “home” on the Internet for users of *Microeconomics*. Serving as a dashboard for the book's ancillary materials, the Web site intuitively navigates users through a wide range of additional resources, including the Study Guide, the Computerized Test Bank, the PowerPoint Presentations, and the Instructor's Manual. Most importantly, the Online Learning Center is a repository for evolving text material, including Chapter Add-Ons, a running glossary, and updated book chapters.

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