

— MICRO —
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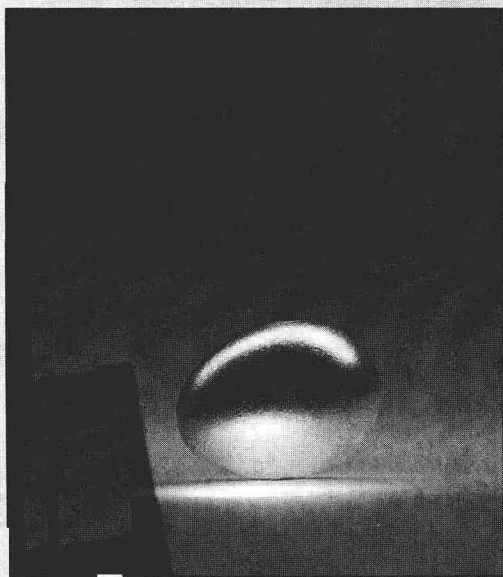
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— M I C R O — ECONOMICS

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Preface

To the Student

We are all curious about the world around us, and we want to understand it. Economics provides a systematic way of understanding the economic activity that we see every day. These are just a sampling of the many questions you will come to think about more clearly by applying the tools of microeconomic theory: Why did the Portuguese cod fleet use fishing techniques in the 1970s that were strikingly different from the techniques used by the American and Canadian cod fleets? Are the seasonal water shortages that afflict so many communities inevitable, or do they sometimes result from poor resource management? Once a government decides to support the price of an agricultural product, what is the best way to do it?

Throughout the book we present the working methodology of the microeconomic theorist, not by talking about it, but by showing you how to create economic models to answer specific economic questions like the three examples just mentioned. In fact, we open Chapter 1 by showing you how economists typically tackle these three problems. And we end the chapter with an appendix that takes you step by step through the process of building an economic model.

Chapter 1 — with its hands-on, problem-solving approach to microeconomic theory — sets the tone for the following chapters. We typically begin with an intriguing question from ordinary life and then work outward from specific problem to more general theory. This approach lets you see immediately how useful microeconomic theory can be in making sense of real-life economic events.

This hands-on approach to microeconomic theory is reinforced throughout by the use of in-chapter problems. These problems are meant to encourage *active* reading in two ways: by encouraging you to check your understanding of material that you have just read and, sometimes, by challenging you to extend what you have learned one step farther or apply what you have learned to a related problem. (We provide answers to all the in-chapter problems at the back of the book.) Our philosophy is that the only real way to learn microeconomics is to *do* it — every step of the way.

Of course, microeconomics is a field that is changing rapidly — and that is its real challenge. We not only cover the standard topics in microeconomics; we also provide you with an overview of current research in many important areas. By putting you in touch with modern trends in economics — with the “frontiers” of microeconomic research — we bring you right up to date and also let you see just how much exciting work in microeconomics remains to be done.

To the Instructor

Thinking like an economist

The major focus of our book is to try to teach students how to think like economists. We almost always start with an interesting question and ask, “How would an economist try to answer this particular question?” Then we construct the solution — an economic model — from the ground up. We have been careful to choose applications that are interesting

and not too difficult — applications that are well within students' grasp — and then to present them in clear, consistent, step-by-step discussions. We then show how the model can be generalized to apply to other, similar problems. In this way, students are actively engaged in developing the standard tools of microeconomic analysis. More importantly, they see how economists create those tools and get a chance to do economics for themselves. The benefit of this approach is that students learn that abstract economic thinking (that is, economic model building) is essentially about very real and familiar problems.

This problem-solving approach is reinforced by many in-chapter problems and end-of-chapter exercises. The point of the in-chapter problems — a feature that we introduced to the intermediate microeconomics market in the first edition of *Microeconomics* — is to draw students into the material and to keep them actively engaged in their reading. Full problem answers in the textbook guarantee that students will not be frustrated if they fail to hit on solutions quickly. A very complete set of end-of-chapter exercises for each chapter reinforces students' learning. These exercises contain a large number of easy-to-do problems and a small number of more challenging problems.

A balance of theory and application

Because our whole approach is applied — we almost always work from the specific application to more general theory — our book is full of lively and interesting examples. But our objective throughout is to use these applications as a means of developing economic theory in as precise and rigorous a way as possible. Our major aim is to give students a thorough grounding in microeconomic theory. Several of our reviewers have commented that this book provides an optimal balance between interesting applications and carefully developed theory.

Up-to-date economics

We also provide a balance between traditional economic theory and modern developments in microeconomics. Our treatment of the standard topics of microeconomics is careful and comprehensive. Students using our book will acquire a thorough understanding of the traditional tools of the microeconomic theorist. However, we have also been trendsetters in introducing current research topics at the intermediate level. We provide students with in-depth treatments of many modern topics in microeconomics, including the theory of uncertainty and imperfect information (Chapter 5); the theory of the firm (Chapter 6); game theory, with applications to oligopoly and market structure (Chapter 11); and the address (or characteristics) approach to product differentiation (Chapter 12).

Accessible presentation and readable style

This book is analytically rigorous but still widely accessible to undergraduate students. The analysis is presented in an engaging and highly readable style. (One of the authors, Diane Eaton, is a professional textbook writer.) Each topic flows naturally from what came before it and leads smoothly into what follows. The seamless, well-paced “narrative” style of presentation allows students to progress from one topic to the next with ease.

We do not use calculus in the text itself, where we rely on carefully explained graphic techniques. However, we do provide complete calculus footnotes for students with a solid background in mathematics. We have also introduced new graphic aids to help students identify and review major concepts. Key terms in every chapter are in boldface in the text and set out in the margin, and important assumptions and

results are also graphically highlighted for easy identification. More technically-demanding material has been placed in appendices, and challenging end-of-chapter exercises are marked with an asterisk.

Changes to the third edition

Broadly speaking, the organization and content remain unchanged in the third edition of *Microeconomics*. Several chapters that have been perennial favorites with instructors — including Chapter 4 (Vicarious Problem Solving), Chapter 6 (The Theory of the Firm), Chapter 12 (Product Differentiation), and Chapter 16 (General Equilibrium and Welfare) — are updated but essentially unchanged. However, the remaining chapters have all been thoroughly revised from beginning to end. We have substantially reworked specific material at many points and introduced completely new material at many other points in these chapters. In addition, we have added a brand-new chapter on intertemporal resource allocation (Chapter 15).

We have designed this book so that a number of differentiated courses can be taught from it. The chapters that form the core of a standard one-semester microeconomics course are Chapters 1–4 and Chapters 7–10. A number of specialized courses — for example, courses that emphasize comparative institutional analysis, labor economics, industrial organization, or consumer theory — can easily be built on this core by assigning the relevant additional chapters. (Note that chapters and sections marked with an asterisk can be skipped without loss of continuity.)

Additional resources

Our textbook is supplemented by a range of additional resources for instructors. The *Instructor's Manual* provides answers to the end-of-chapter exercises as well as suggestions for lectures, a series of easy-to-administer classroom experiments, and transparency masters for all figures in the text. A complete *Test Item File* of multiple-choice questions is also available on computer disk and in booklet form.

In the accompanying study guide, *Problem Solving in Microeconomics*, Nancy Gallini of the University of Toronto, has done a superb job of providing further study material for students. In addition to chapter summaries, case studies, lists of key words, multiple-choice questions, and true-false questions, this study guide offers many useful and fascinating real-world problems.

Finally, we would like to acknowledge all those at Prentice Hall Canada who worked on the third edition, especially our copy editor Ruth Chernia, Jackie Wood, Maurice Esses, Norman Bernard, Monica Kompter, and Steve Lewis.

REVIEWERS

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