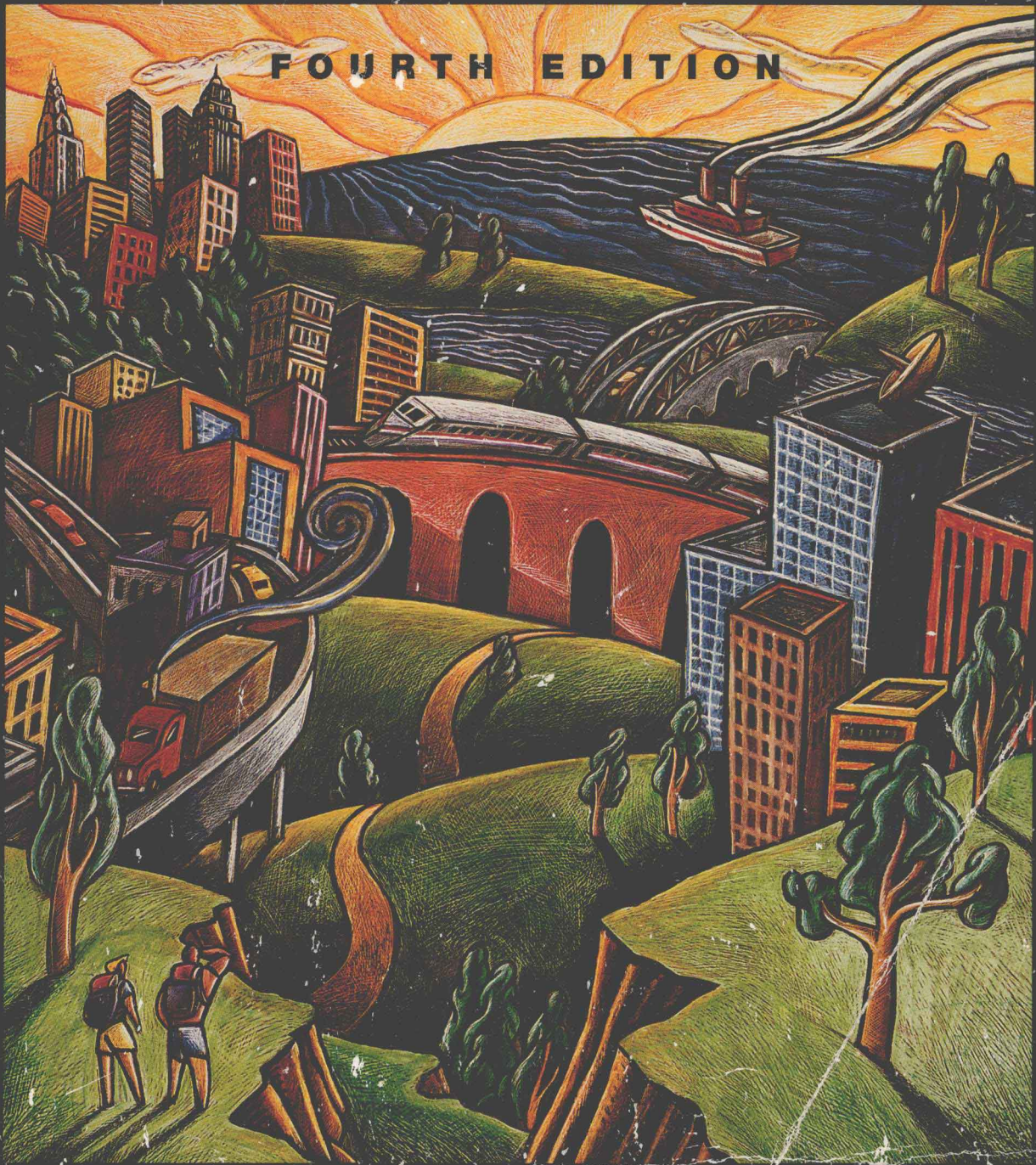


Microeconomics



ROGER A. ARNOLD

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Microeconomics

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ROGER A. ARNOLD

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**To
Sheila, Daniel, and David**

PREFACE

Any principles of economics text explains the law of demand and hundreds of other topics clearly and cogently. But not all principles texts present economics topics in an interesting way. It is *how* topics are presented that determines whether a student says, “Ho-hum” or “Great stuff!” when economics is mentioned.

Economics can be either boring or exciting, depending on *how* it is presented. Economic facts, concepts, theories, policies, data, and applications are not inherently interesting. But they can be both interesting and exciting if they are presented in the right way. The trick, of course, is to find the right way.

Increasingly, I have come to believe that the right way is to use economics to *surprise* students. Many students come to the study of economics with low expectations; they think economics will be a dull and dry subject. So, students are surprised when they see that:

- Economics often occurs in the unlikeliest places.
- Economic events, far removed from them, are linked to them.
- Economic analysis is a powerful tool for understanding the world.

Economics Occurs in the Unlikeliest Places. The first way I surprise students in this fourth edition of *Microeconomics* is to show them some of the unexpected places economics occurs. This is analogous to the idea behind a series of popular children’s books called *Where’s Waldo?* On each page in these books, among hundreds of tiny drawings, is one drawing of Waldo. The objective is to find Waldo. Children will often stare at a page for a few minutes and then excitedly exclaim, “There he is! I found him!” Then they are off to the next page.

Economics can be a little like *Where’s Waldo?* If you look at a picture—almost any picture—long enough, you will find the economics. Students expect to find economics in certain pictures: firms producing goods, households buying goods, banks making loans, governments enacting policies. But, they are surprised to find economics in a campus parking lot, in an episode of the television show “Seinfeld,” or in the competition between TV talk shows. The message students receive is clear: Economics is in many more places than they suspected and has much more relevance to their lives than they imagined.

Economic Events, Far Removed from Us, Are Linked to Us. The second way I surprise students is to show them how economic channels link events around the world to their lives. An economic action or change is like a rock thrown into a lake: It creates ripples that extend far beyond its point of origin. What happens in Japan, Europe, Mexico, or Washington, D.C., can affect our lives immeasurably. When students see

the channels through which changes in one place affect them, they are surprised at first.

Then they are pleased to know how the real world affects them and want to know more. Instructors can build on this new-found motivation for learning economics.

Economics Allows Us to “Command the Heights of Genius.” James Buchanan, the Nobel Prize-winning economist, stated, “what a science [such as economics] does, or should do, is simply to allow the average man . . . to command the heights of genius.”

Those of us who teach economics know that economics is a powerful tool for understanding the world. We know that being able to think like an economist and conduct economic analysis helps us to become more imaginative and insightful—to reach for the heights of genius.

I have found that when students first realize the doors to understanding the world that economics can open, they want to learn more economics. Economics no longer needs a salesperson; it sells itself.

Priorities in Developing the Fourth Edition

In preparing the fourth edition of *Microeconomics*, I looked for places to surprise students and for ways to make their learning easier. I went through the third edition of *Microeconomics* to find places I could rewrite, add, or delete material in a way that would use economics to surprise students. If I could add an example that showed them how economic changes in one place could ripple out toward them and eventually affect their lives, I added the example. If I could present economics in a setting that I assumed the reader believed no economics could be found, I presented economics in that setting. If I could think of an example or an application that showed the power of economic analysis, I incorporated the example or application in the text. Anywhere I could surprise students with economics (in the text, in the features, in the questions at the ends of the chapters), I did my best to do just that.

In addition to surprising students with economics, and thus motivating them to learn, I wanted to make it easier for them to learn. Textbook chapters usually end with a series of questions and problems for students to answer and to solve. But why wait until the end of the chapter to ask questions? Wouldn't more immediate feedback be better? With this in mind, I have added questions at certain places throughout each chapter: at the end of each section, at the end of each feature, and with certain photos. The answers to many of these questions are provided at the end of the book. By providing a series of questions (with answers) that students can use to test their knowledge of what they are reading—as they are reading—they are provided with the necessary feedback to gauge their learning.

As another aid to learning, this text has a large number of flow-chart diagrams. Flow charts are an especially effective way of presenting much of the contents of economics. Specifically, much of economics takes the form of “a change in *A* leads to a change in *B* which leads to a change in *C*, and so on.” Flow charts visually capture the essence of these types of processes.

Organization of the Fourth Edition

Section I: An Introduction to Economics. Section I discusses the key concepts and tools in economics, including scarcity, opportunity cost, efficiency, inefficiency, sup-

ply and demand, prices, and so on. Some of the economic concepts and tools discussed in this section of the text are the most powerful in economics. I presented these powerful concepts and tools first by design. In this way, students get a good idea of what economics is all about early in the course.

Section II: Microeconomics. The fourth edition of *Microeconomics* carries forward a theme developed in the second edition—that microeconomics is about *objectives*, *constraints*, and *choices*. Much of the microeconomic discussion centers around this trilogy.

Also, and perhaps more importantly, I try to give students an appreciation for how microeconomic tools can be used to answer questions such as: How much output should a firm produce? How many workers should a firm hire? Is it better to hire workers in Mexico or the United States? When should I sell a product for a price less than my purchase price?

Section III: The World Economy. This section has two primary objectives. The first is to inform students about the details of the world economy—why countries trade, how exchange rates are established, and so on. The second objective is to explain how changes in one country can affect our lives in the United States.

The Structure of Each Chapter

Each chapter of *Microeconomics* contains the following features and pedagogical devices:

- Opening Photo and Vignette
- Chapter Objectives
- You Will Also Learn
- Margin Definitions
- <http://>
- Interspersed Questions and Answers
- Thinking Like an Economist
- Three Applications Features
- Self-Tests
- Reality Check
- Chapter Summary
- Questions and Problems
- Economic Connections to You or Can You Find the Economics?

Opening Photo and Vignette. Each chapter opens with a photo and a short vignette that ties the photo to the material discussed in the chapter.

Chapter Objectives. A student, starting to read a chapter, may wonder, “What topics are discussed in this chapter? What will I learn or be able to do after studying this chapter?” This feature responds to these questions and also serves as a guide to the instructor by indicating some of the many key facts, theories, policies, and concepts that will be discussed in the chapter.

You Will Also Learn. This feature motivates students and will often surprise them. It lists some of the unusual and unexpected things they will learn by reading the chapter.

Margin Definitions. All key economics terms are in bold type in the text and are defined alongside in the margins of the text. These terms and their definitions are also included in the Glossary at the back of the book.

http://. This Internet feature is placed in the margins of the text. It points students to an Internet address at which they can find information that relates to the discussion of the material in the text.

Interspersed Questions and Answers. Perhaps the best received pedagogical feature in the eight year life of *Microeconomics* has been the Interspersed Questions and Answers. This short, unobtrusive feature seems to pack a lot of punch. Essentially, it anticipates questions students may have as they read the chapters of the text; then it answers these questions. These questions and answers are placed at natural stopping places in each chapter.

Thinking Like an Economist. The authors of principles books are quick to point out that their books teach students how to think like an economist, but they rarely tell us how they accomplish this feat. Supposedly, students will read the book and simply figure out how economists think. It is true that some students do learn how economists think by using this method, but too many do not. There is a better way to proceed. I believe that it is the author's responsibility to explicitly point out, where possible, how economists think. I have done this throughout this book, at appropriately identified places.

Three Applications Features.

- Economics in Our Times
- Economics and the Media
- The Global Economy

In many texts, applications features are simply overgrown examples. If price discrimination is discussed in the text, an applications feature focuses on examples of price discrimination in real life. This is not a bad way to present applications features, and this text includes some of this type of applications feature. But it is a rather passive and descriptive way of presenting applications. There needs to be more.

I have tried to develop active analytical applications features. Students must use economic concepts they have learned and economic tools they have acquired to analyze something in the real world. For example, they must use the concept of the law of diminishing marginal utility or the economic tools of supply and demand to gain an insight or make a prediction.

I have also chosen the topics for the applications features carefully. Too often the topics of these features in principles books are boring. Applications features offer an opportunity to present economics topics that are off the beaten path, but, textbook authors usually stay on the main road and play it safe. They overlook the fact that a principles book is long enough to do many things. Good solid theory can be presented, policies outlined, concepts explained, tools developed, . . . and even some adventures taken. A principles text has room for unusual, exciting features, and I have done my best to provide them.

At the end of each applications feature, there is a short section titled "Think About It." Students are asked a thought-provoking question that relates to the feature. Instructors may want to use these questions as a starting point for a class discussion.

At the end of many applications features, students will also find a short section titled “On the Internet.” This section provides students with an Internet address where they can obtain information that relates to the material discussed in the feature.

Self-Tests. Frequent feedback plays an important role in learning new material. At the end of each of the three to four sections in each chapter, students will find three to five questions that relate to the material they have just read. The answers to these questions are at the end of the book. A poor showing on a Self-Test should indicate to the student that he or she needs to reread the sectional material before proceeding.

Reality Check. There are usually three photos in each chapter. Each photo is relevant to the material discussed in the body of the chapter or in the features. One of the three photos in each chapter is followed by a question that students are asked to answer in order to test their knowledge of what they have been reading. This photo and question is titled “Reality Check.”

Chapter Summary. Each chapter ends with a detailed and categorized summary of the main topics in the chapter.

Questions and Problems. Each chapter ends with numerous questions and problems for the student to answer.

Economic Connections to You or Can You Find the Economics? *Economic Connections to You* and *Can You Find the Economics?* are short features at the end of each chapter. *Economic Connections to You* requires students to identify how economic facts, actions, and changes (discussed in the chapter) affect them. *Can You Find the Economics?* requires students to find the economic content in a setting that, at first glance, may not seem to have any economic content.

Supplements

The supplements that go along with this text are described in the following paragraphs.

Study Guide. The *Study Guide* was written by Thomas Wyrick of Southwest Missouri State University. Each chapter explains, reviews, and tests the student on important facts, concepts, and diagrams found in corresponding chapters in this book. Chapter parts include an introduction to and purpose of each chapter, a review of concepts from earlier chapters, a fill-in-the-blank review of concepts to be learned, problems and exercises, and a self-test.

Test Bank. The *Test Bank* was revised by Scott Bloom of North Dakota State University. There are more than 4,000 multiple-choice questions in the test bank; approximately 20 percent are new to this edition and many have been revised.

Instructor’s Manual. The *Instructor’s Manual* was written by Bill Robinson of University of Nevada, Las Vegas. It offers detailed lecture assistance for this book. Chapter parts include an overview of each text chapter, a list of chapter objectives, a list of key terms, a detailed chapter outline with lecture notes, answers to end-of-chapter questions, and supplemental lecture and reading material.

Transparencies. Many of the key exhibits in the text are available as transparencies for classroom use.

Economics on the Internet: Exercises and Activities. This supplement, popular with both students and instructors, was written by Bill Robinson of the University of Nevada, Las Vegas. Students learn how to find economic data, information, and documents using the Internet, and then engage in exercises and activities based on the information they find.

Practice Tests. The practice tests were written by the same person who revised the *Test Bank*, Scott Bloom of North Dakota State University. Each practice test allows students to test their knowledge of the chapter material before they take the assigned test in class.

Graphing Exercises in Economics. For the introductory economics student, the many graphs in economics may initially seem overwhelming. It takes time and practice to master the “language” of graphs. *Graphing Exercises in Economics* provides students with the practice they need to shorten the time it takes them to master this language. There are graphing exercises for 17 different topics, including supply and demand, the production possibilities frontier, perfect competition, monopoly, and factor markets.

PowerPoint Presentation Slides. PowerPoint is state-of-the-art multimedia presentation software that South-Western uses to provide professors with visual support in the classroom. Updated by John Pisciotta of Baylor University, these slides offer custom presentations to professors that contain lecture material from the corresponding textbook, including such elements as text, artwork, problems, and chapter outlines. In addition to using these custom presentations, professors who have access to the PowerPoint software can edit the South-Western presentations or can create their own exciting presentations that include text, graphics, animation, and sound.

CNN Video. Professors can bring the real world into the classroom by using the *CNN Principles of Economics Video Updates*. This video provides current stories of economic interest. The video is produced by Turner Learning, Inc., using the resources of CNN, the world’s first 24-hour, all-news network. Ask your ITP sales representative for more details.

South-Western Economics Tutorial Software. Professors and students who want a professional and functional economics tutorial package will find it here. The software is easy to use, comprehensive, and instructional.

Arnold Economics Web Site. The Arnold *Economics* Web Site (<http://arnold.swcollege.com/>) provides instructors and students with updates to the text, teaching and learning resources, and the opportunity to communicate with the author and editors of the text. All Internet addresses mentioned in the text are repeated in this site and address updates are regularly provided. The Arnold *Economics* Web Site is part of South-Western College Publishing’s Economics Resource Center (<http://economics.swcollege.com/>). The Economics Resource Center provides custom-created policy debates, monthly news summaries, and cutting-edge educational resources like *Economics Alive!*, the first truly interactive multimedia CD-ROM designed especially for economics students.

Microeconomics Alive! CD-ROM. *Microeconomics Alive!* CD-ROM, an interactive multimedia study aid for economics, is the high-tech, fun way to study economics. Through a combination of animated presentations, interactive graphing exercises, and simulations, *Microeconomics Alive!* brings the core principles of economics to life and drives them home in an upbeat and entertaining way. Ask your ITP sales representative for more details, or visit the *Economics Alive!* Web Site (<http://econalive.swcollege.com/>).

In Appreciation

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Roger A. Arnold

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