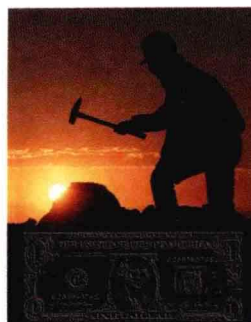
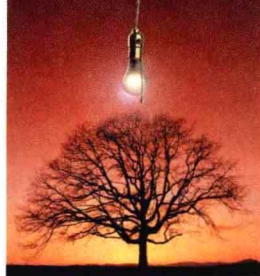




MICROECONOMICS

THIRD EDITION • ROGER A. ARNOLD



MICROECONOMICS

THIRD EDITION

Roger A. Arnold

CALIFORNIA STATE UNIVERSITY, SAN MARCOS

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To: Clyde H. Perlee, Jr.
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PREFACE

The principles of microeconomics text is a lot like a baseball game. To the untrained eye, a baseball game consists of a person with a bat hitting a ball and running around the bases. To this person, all games look pretty much alike and are, for the most part, boring. But to the knowledgeable and experienced baseball enthusiast, baseball is a complex game with hundreds of variables to consider, and a minor change in one variable can determine whether a team wins or loses the game.

To many people, microeconomics principles texts are all the same. And on the surface, there is good reason for believing this: most texts are about the same length, they contain very similar diagrams and they discuss many of the same topics and issues. But below the surface of the principles text—as below the surface of the baseball game—there is much that is going on, much that the untrained observer does not see, and much that can make the difference to whether the first-time economics student who studies the text will be successful at learning economics in a deep, meaningful, and lasting way.

As I revised the third edition of *Microeconomics*, I paid close attention to the details of the text, and to the life of the text below the surface—to the consideration that a slight change in organization, the way a particular topic is presented, or the way the details of an argument are laid out, can make a big difference to the quality and quantity of economics that the student acquires.

Is the third edition of *Microeconomics* a better product than the first and second editions? I am sure that it is. The organization is better, the language is more focused, the examples are more interesting, there are new diagrams that make it easier to comprehend challenging material, and there are new exciting features. As a result of these things and many more, the third edition has a newer, more relevant, much more exciting “feel” to it. What does this translate into for the student? I believe the student will spend more time reading, studying, and enjoying the experience of learning economics.



Changes in the Organization of the Third Edition

Section I—Economics: The Science of Scarcity. This book is organized into three sections. Section I discusses the key concepts and tools in economics, including scarcity, opportunity cost, efficiency, inefficiency, supply and demand, prices, and so on. The major change here is that the material in the two separate chapters on supply and demand in the second edition has been incorporated into one clearer, more focused chapter in the third edition. Our new arrangement provides one case where

“less is more.” We believe the new arrangement helps the student to learn the details and applications of supply and demand in a shorter time, yet more completely.

Section II—Microeconomics. The third edition maintains the theme developed in the second edition that microeconomics is about *objectives, constraints, and choices*.

Another change in the third edition is that the policy chapters are more closely related to their relevant theory chapters than in the second edition. For example, antitrust and regulatory policy is discussed immediately following a discussion of monopoly and oligopoly instead of being a few chapters removed.

Also, in the microeconomics section, I give students a stronger understanding of how microeconomic tools can help them answer questions: How much output should a firm produce? How much of a certain good should a company buy? How many workers should a firm hire? Is it better to hire workers in Mexico or the United States? By focusing students’ attention on a question that is meaningful to their world and their experience, I feel they are more receptive to the tools you present them with to answer the question.

Section III—The World Economy. Still another change in the third edition comes in the last chapter of the text, newly titled “Capitalism and Socialism: Two Views of the World, Two Economic Systems.” Beside a discussion of the Russian economy, there is now a full discussion of the capitalist and socialist visions and how each relates to the two economic systems to which they give birth. The emphasis here is on the importance and influence of ideas.



Three Application Features

- Economics In Our Times*
- Economics And the Media*
- The Global Economy*

Adopters of the third edition of *Microeconomics* will find three applications features, two of which are new. The first is *Economics In Our Times*, which was both in the first and second editions of this text. This feature is the most general of the three features, in which any interesting topic can be used to illustrate an economic concept, principle, or way of thinking. One new feature is *Economics And the Media*. This feature identifies economic themes or concepts in such various media avenues as television shows, movies, and so on. For example, on a popular TV show, *Seinfeld*, you can find a whole episode devoted to building and testing a theory—believe it or not! Or what about television talk shows and the theory of perfect competition. Any connection? Or what about the economics of the *Comedy Channel*?

Another new feature is *The Global Economy*. This feature gives the student a glimpse of economic institutions and events in other countries. I have tried to make this feature sizzle. I wasn’t content to simply cite the inflation figures for other countries, or to identify the rates of economic growth in other countries. While this information is important—and you will find much of it in this text—there are many more things about other countries that I believe students will find more interesting. What about how Buddhist monks in Thailand redistribute income and overcome the free-rider problem inherent in giving to charities? Or what about the coffee craze that is dying out in Canada? Or what about the value of the royal British family to Great Britain? Or what about the fact that economics comic books are so popular in Japan?

The world is immense and there are so many important, interesting, exciting, stimulating things to tell students about it. And I’ve tried to do just that in this text.



Two Pedagogical Features

- Thinking Like an Economist*
- Interspersed Questions and Answers*

The two pedagogical features include *Thinking Like an Economist* and *Interspersed Questions and Answers*.

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 pick up 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.

Perhaps the best received pedagogical feature in the six year life of *Microeconomics* has been the *Interspersed Questions and Answers*. It is a short, unobtrusive feature that 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. You will find these questions and answers placed at natural stopping places in each chapter



The Internet

- Economics On the Internet*

Since the publication of the second edition, the world has changed. The Internet is increasingly occupying center stage. To make sure that the readers of *Microeconomics* are up-to-date on the latest information and technology, each chapter of this text includes a feature which describes how to access various data sources via the Internet.



Supplements

The supplements that go along with this book include:

- Study Guide
- Test Bank
- Instructor's Manual
- WestTest Microcomputer Testing
- West's Economics Tutorial (Computer Software for Microeconomics)
- Study Wizard Software (Computer Software for Microeconomics)
- Transparencies
- The Economics Reader
- Economics on the Internet: Exercises and Activities
- The Writer's Guide to College Economics
- Developmental Reader's Guide
- Practice Quizzes
- Graphing Exercises in Economics
- West's Videodisc for Economics
- PowerPoint® Presentation Files

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 Bryan Taylor of California State University Los Angeles. 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, answers to questions in the *Economics Reader*, and supplemental lecture and reading material.

WestTest Microcomputer Testing. The WestTest testing system allows you to choose, create, edit, store, and print exams and answer keys. The system is menu-driven with a new desktop format and the options of using keystrokes or a mouse, accelerators, and function keys.

West's Economics Tutorial. This is a Microeconomics software package that is specifically tied to core micro chapters in the text. The package requires students to create, modify and interact with key graphs.

The Economics Study Wizard Software. This microeconomics software package was developed by Dennis Muraoka of California State University at Long Beach. The software package has the following components: a graphics tutorial that is animated and annotated and contains a quiz on the graphs; terms and definitions in the form of a game; and a quiz that provides a review for the exam.

Transparencies. More than 150 transparencies of key exhibits in the text are available for classroom use.

The Economics Reader. New to this edition is a set of readings on various topics. Half of the readings deal with economics, the science: what is economics, how economists approach problems, how economists think, and so on. The remaining half of this readings deal with controversial economics issues — such as Social Security, affirmative action, immigration, and so on.

Economics on the Internet: Exercises and Activities. New to this edition are the exercises and activities designed for the Internet. Students will learn how to find economic data, information, and documents using the Internet, and then will engage in exercises and activities based on the information they find.

The Writer's Guide to College Economics. New to this edition is the *Writer's Guide to College Economics*, written by Thomas Wyrick of Southwest Missouri State University. This guide is designed to help students in researching and preparing

term papers and reports. Much more than a style and reference manual, the *Writer's Guide to College Economics* also seeks to improve the students' ability to think like an economist.

Developmental Reader's Guide. New to this edition is the *Developmental Reader's Guide*, which was developed by Carlos Aguilar (economist) and Andrea Rico (reading specialist), both of El Paso Community College. The guide follows the text chapter by chapter providing additional help with idioms, special phrases, historical or cultural allusions, and specialized or challenging vocabulary for students needing additional help in mastering the material.

Practice Quizzes. New to this edition are practice quizzes for each chapter. The practice quizzes were written by Scott Bloom of North Dakota State University, who also wrote the Test Bank. Each practice quiz 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. New to this edition is *Graphing Exercises in Economics*, which provides students with the practice they need to shorten the time it takes them to master this language. There are graphing exercises on 17 different topics—such as supply and demand, the production possibilities frontier, perfect competition, monopoly, factor markets, and more.

West's Videodisc for Economics. *West's Videodisc for Economics* is available to qualified adopters. With the touch of a button, instructors can access key illustrations from the text, including overlays and animated graphics, photos, and video footage from the Economics USA series by Annenberg/CPB. This series includes analysis by Harvard economics professor Richard Gill and was produced by the Wharton Econometric Forecasting Association and the Educational Film Center. An Instructor's Guide accompanies the disc, containing information on each still frame and video clip, along with suggestions for classroom use.

PowerPoint® Presentation Files. PowerPoint® is a state-of-the-art multimedia presentation software which West uses to provide professors with visual support in the classroom. West supplies to professors custom presentations that contain lecture material from the corresponding textbook, including such elements as text, artwork, photographs, problems, and chapter outlines. In addition to using these custom presentations, professors who have access to the PowerPoint® software can edit the West presentations or can create their own exciting presentations that include text, graphics, animations, and sound.



In Appreciation

This book could not have been written and published without the generous expert assistance of many people. A deep debt of gratitude is owed to the reviewers of the first edition, the second edition, and the third edition, and numerous persons who have offered constructive comments and suggestions on one or more of the three editions.

FIRST EDITION REVIEWERS AND OTHERS I WISH TO THANK:

Jack Adams
University of Arkansas, Little Rock

William Askwig
University of Southern Colorado

Michael Babcock
Kansas State University

Dan Barszcz
College of DuPage, Illinois

Robert Berry
Miami University, Ohio

George Bohler
Florida Junior College

Tom Bonsor
Eastern Washington University

Michael D. Brendler
Louisiana State University

Baird Brock
Central Missouri State University

Kathleen Bromley
Monroe Community College, New York

Douglas Brown
Georgetown University

Ernest Buchholz
Santa Monica Community College, California

Gary Burbridge
Grand Rapids Junior College, Michigan

Maureen Burton
California State Polytechnic University, Pomona

Carol Carnes
Kansas State University

Paul Coomes
Univ. of Louisville, Kentucky

Eleanor Craig
University of Delaware

Diane Cunningham
Glendale Community College, California

Wilford Cummings
Grosmont College, California

Douglas C. Darran
University of South Carolina

Edward Day
University of Southern Florida

Johan Deprez
University of Tennessee

James Dietz
California State University, Fullerton

Stuart Dorsey
University of West Virginia

Natalia Drury
Northern Virginia Community College

Lu Ann Duffus
California State University, Hayward

John Eckalbar
California State University, Chico

John Elliott
University of Southern California

Charles Fischer
Pittsburg State University, Kansas

John Gemello
San Francisco State University

Carl Guelzo
Cantonsville Community College, Maryland

Jan Hansen
Univ. of Wisconsin, Eau Claire

John Henderson
Georgia State University

Ken Howard
East Texas Baptist University

Mark Karscig
Central Missouri State University

Stanley Keil
Ball State University, Indiana

Richard Kieffer
State University of New York, Buffalo

Gene Kimmett
William Rainey Harper College, Illinois

Luther Lawson
University of North Carolina

Frank Leori
College of San Mateo, California

Kenneth Long
New River Community College, Virginia

Michael Magura
University of Toledo, Ohio

Bruce McCrea
Lansing Community College, Michigan

Gerald McDougall
Wichita State University, Kansas

Kevin McGee
University of Wisconsin, Oshkosh

Francios Melese
Auburn University, Alabama

Herbert Miliken
American River College, California

Richard Miller
Pennsylvania State University

Ernest Moser
Northeast Louisiana University

Farhang Niroomand
University of Mississippi

Eliot Orton
New Mexico State University

Marty Perline
Wichita State University, Kansas

Harold Petersen
Boston College

Douglas Poe
University of Texas, Austin

Joseph Rezney
St. Louis Community College, Missouri

Terry Ridgway
University of Nevada, Las Vegas

Thomas Romans
State University of New York, Buffalo

Robert Ross
Bloomsburg State College, Pennsylvania

Keith A. Rowley
Baylor University, Texas

Anandi Sahu
Oakland University, Michigan

Richard Scoggins
California State University, Long Beach

Alan Sleeman
Western Washington University

John Sondey
University of Idaho

Shahram Shafiee
North Harris County College, Texas

Paul Seidenstat
Temple University, Pennsylvania

Robert W. Thomas
Iowa State University

Roger Trenary
Kansas State University

Richard L. Tontz
California State University, Northridge

Bruce Vanderporten
Loyola University, Illinois

Richard O. Welch
University of Texas at San Antonio

Thomas Weiss
University of Kansas

Donald A. Wells
University of Arizona

John Wight
University of Richmond, Virginia

Thomas Wyrick
Southwest Missouri State University

SECOND EDITION REVIEWERS AND OTHERS I WISH TO THANK:

Scott Bloom
North Dakota State University

Thomas Carroll
University of Nevada, Las Vegas

Larry Cox
Southwest Missouri State University

Diane Cunningham
Los Angeles Valley College

Emit Deal
Macon College

Michael Fabritius
University of Mary Hardin Baylor

Frederick Fagal
Marywood College

Ralph Fowler
Diablo Valley College

Bob Gilette
Texas A & M University

Lynn Gillette
Indiana University, Indianapolis

Simon Hakim
Temple University

Lewis Karstensson
University of Nevada, Las Vegas

Abraham Kidane
California State University, Dominguez Hills

W. Barbara Killen
University of Minnesota

J. David Lages
Southwest Missouri State University

Anthony Lee
Austin Community College

Marjory Mabery
Delaware County Community College

Bernard Malamud
University of Nevada, Las Vegas

Michael Marlow
California Polytechnic State University, San Luis Obispo

Phil J. McLewin
Ramapo College of New Jersey

Tina Quinn
Arkansas State University

Terry Ridgway
University of Nevada, Las Vegas

Paul Snoonian
University of Lowell

Paul Taube
Pan American University

Roger Trenary
Kansas State University

Charles Van Eaton
Hillsdale College

Mark Wheeler
Bowling Green State University

Thomas Wyrick
Southwest Missouri State University

THIRD EDITION REVIEWERS AND OTHERS I WISH TO THANK:

Carols Aguilar
El Paso Community College

Rebecca Ann Benakis
New Mexico State University

Scott Bloom
North Dakota State University

Howard Erdman
Southwest Texas Junior College

Arthur Friedberg
Mohawk Valley Community College

Nancy A. Jianakoplos
Colorado State University

Lewis Karstensson
University of Nevada, Las Vegas

Rose Kilburn
Modesto Junior College

Ruby P. Kishan
Southeastern Community College

Duane Kline
Southeastern Community College

Charles A. Roberts
Western Kentucky University

Bill Robinson
University of Nevada, Las Vegas

Susan C. Stephenson
Drake University

Charles Van Eaton
Hillsdale College

Calla Wiemer
University of Hawaii at Manoa

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