

Leonard W. Weiss

**Economics
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Society**

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Second Edition

ECONOMICS AND SOCIETY

Second Edition

Leonard W. Weiss
University of Wisconsin

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■ PREFACE

The first edition of this book was written to provide a high quality, comprehensive one-term elementary text. The plan was to eliminate marginal costs and to use extra space and time to cover issues that could not otherwise be reached in one term. The response was gratifying, but a number of changes were needed. That is the job of the second edition.

Of course, the data, history, and concepts are updated, but more fundamental changes have been made as well. A chapter on monetarism is added. An appendix to Chapter 5 covering marginal cost is also included at the request of several reviewers. Third, short analyses of new issues or policy developments in particular sectors have been inserted at appropriate points in the text. There are one or two of these in most chapters. A fourth change is a list of concepts for review at the end of each chapter. To make room for these additions, the last chapter of the first edition, "America and the World," was deleted. It covered international comparisons of various economic characteristics. Most of the instructors contacted when the revision was underway said they did not use that chapter. Of course, I have retained the chapters on the balance of payments and international trade and investment. I hope these changes have enhanced the completeness and teachability of the book.

Users of the first edition who contributed valuable comments are R. J. Gordon, Northwestern University; Jean-Ellen Giblin, Fashion Institute of Technology; Daniel Cobb, St. Louis Community College—Meramec; John Adams, University of Maryland; W. Lee Hansen and Robert Haveman, University of Wisconsin—Madison; Frederick M. Arnold, Madison Area Technical College; Marvin Burnett, St. Louis Community College—Florissant Valley; M. Weinrobe, Clark University; Ernest Betcke, Pennsylvania State University—Ogontz Campus;

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Leonard W. Weiss

Madison, Wisconsin
January 1981

PREFACE TO THE FIRST EDITION

This book is meant primarily for the basic, one-term principles of economics course that exists at an increasing number of colleges and universities. I feel that a solid one-term course should be a valuable part of the undergraduate program of virtually all college students. This book is an attempt to facilitate the development of such courses.

The essential features of a good one-term course are (1) that it have a solid theoretical core, and (2) that it cover the major economic policy issues in a sophisticated way. How can this be accomplished in a single term? My solution is to build the analysis around supply and demand and to avoid most marginalism. My experience is that at least a month, and more likely six weeks, are required to get across the theories of consumer choice, of the firm, and of various types of markets. Moreover, these are subjects that many general students resist and never really grasp. And a large number of general, liberal arts students who are quite capable of economics at the “informed citizen” level are turned away by them. I believe that the marginal analysis is essential for a thorough grasp of economics, but I also feel that it can reasonably be postponed until a second course.

The trick that permits me to present much of the elementary core of economic theory with hardly any reference to marginalism is the assumption of constant costs in the long run. This, of course, makes average and marginal cost identical. I do not feel that this is a very extreme assumption. It permits a surprisingly rigorous analysis of short- and long-run competitive equilibrium, of monopoly and oligopoly, of price discrimination, and of public goods. The one place where marginal concepts seem unavoidable is in the analysis of factor markets, but, even there, the main points can be made more simple

than is commonly the case. My experience is that students can grasp the elements of economic analysis at the level used in this book in quite short order.

Although I feel that theory should be the core of the one-term principles course, I am opposed to the mere development of theoretical tools for their own sake. I feel that to be interesting and to produce informed citizens, the analysis should be applied to the major policy problems of our day. I have tried to economize on the tools introduced, but to apply them again and again in many different settings. Concepts like opportunity cost, short- and long-run competitive equilibrium, and externalities appear regularly in the book after they are introduced. I try to say opportunity cost in every chapter but never to say marginal cost. I have included a few appendices containing concepts such as elasticity or the multiplier for those who feel these are essential, but they are self-contained. No other part of the book depends on them.

It would probably be a struggle to present everything in this book in one term. I have covered many policy areas, to allow for varying tastes within the profession. I feel that a good course should cover some of these topics but need not cover all of them.

The essential core of the course, to my mind, consists of Chapters 2, 3, 5, 7, 10, 12, 13, the last half of 14, 15, and 16 (and 17 in the new edition). A course confined to this core would be a pretty limited one, however. Users should surely pick and choose among the other chapters and appendices. In my own courses I have left out or given little emphasis to the material in Chapters 1 and 19. (The old Chapter 19 has been deleted from the second edition.) I have also skipped the subjects dealt with in the appendices to Chapters 5, 6, and 13: elasticity, marginal revenue, and the multiplier, respectively. I have tried to teach something about corporate and national income accounting, but here they are presented in appendices to Chapters 4 and 12, and they are also unnecessary for understanding the rest of the book.

I would expect that for a majority, or at least a large minority, of readers this book will be the only formal economics they will see at the college level. However, I hope that many students taking the course will want to go further. I can see three main routes for them. One possibility is to provide a second term at an elementary level for such students. I have taught such a course with some success. It is long on marginal analysis, micro-policy, and empirical illustrations. A second possibility is to put economics and business majors into a two-term sequence in intermediate micro and macro theory after their completion of the one-term course. I feel that they would be prepared for such courses after working through this book. Finally, with this book as

background, students should be able to handle quite a large range of upper-division courses in economics. My own experience is largely in industrial organization and public control of business. I find that most of the points I cover, including quite complex discussions of price discrimination and of peak load pricing, can be presented on the basis of the simple theory developed in this book. Surely a major should have more theory than is presented here, but he can handle a surprising number of important policy issues starting at this level.

Like most of my undertakings, this book has depended heavily on the contributions of others. I was helped by many of my colleagues at Wisconsin, especially by Eugene Smolensky, Robert Haveman, and Peter Lindert. I owe a great debt of thanks to Ernest Nadel and James Sinclair for their extensive and insightful comments. Tom Hitchings did the most thorough and helpful job of editing I have ever experienced. Linda Bielski typed and typed and typed.

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Madison, Wisconsin
October 1974

ABOUT THE AUTHOR

Leonard W. Weiss is a professor of economics at the University of Wisconsin, Madison, where he has taught for 18 years. He received his Ph.D. from Columbia University in 1954 and did graduate work at the London School of Economics and the University of Wisconsin, as well. He taught at Wayne State University, San Jose State University, and the University of Minnesota before coming to Wisconsin in 1962. He is the author of four books including this one: *Economics and American Industry* (Wiley, 1961), *Case Studies in American Industry* (third edition, Wiley, 1980), and (with Allyn Strickland) *Regulation: A Case Approach* (McGraw Hill, 1976). He has also published 29 articles, mainly on monopoly and competition and the public policies affecting them, but also on topics such as labor, population, and money.

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