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Preface

Microeconomics in Context provides a thorough introduction to the principles of microeconomics for students taking the introductory microeconomics course. Although this text incorporates the theoretical content expected in a principles text, it delves deeper, offering a fresh understanding of the economic realities of the 21st century. Too often, introductory microeconomics textbooks have helped students learn a few useful concepts—and have given them plenty of practice in curve shifting—but have provided little breadth of perspective for analyzing real economic issues. These books tend to encourage students to accept models and assumptions about behavior without truly understanding or questioning what the models mean in context. *Microeconomics in Context* will, by contrast, help students gain a deeper understanding of economic theory and its relationship to contemporary controversies of interest and importance.

This book encourages engaged and critical thinking about topics in economics. It introduces students *both* to the standard topics and tools taught in most introductory courses and to a broader and richer set of topics and tools. We have done our best to make the book readable, interesting, and relevant throughout. Whether students simply take this class to gain some understanding of how economics can be useful to them or go on to study more economics or business, this comprehensive and up-to-date book will help equip them with the standard tools *and* the critical knowledge they need to succeed.

At the same time that this book introduces the many applications of economic theory, it provides a variety of viewpoints. Neoclassically minded instructors, and instructors constrained by the requirements of the larger curriculum, can be assured that neoclassical tools are presented in full. Economics instructors who are frustrated by the lack of attention to history, institutions, gender, social divisions, ethics, ecology, or poverty in other textbooks will find much to be enthusiastic about in our treatment, because these topics are integrated throughout the book. Even some instructors who prefer the market-focused approach of other texts will appreciate this text for the way in which its exposition of the market's strengths and weaknesses encourages students to engage with the subject matter.

Content and Organization

Some of the innovative features of this text are apparent in even a quick scan of the Contents pages or the sample course outlines on pp. xxiii–xxviii. Because this textbook takes a broader and more contextual approach to economic activities, it exhibits a different overall organizational structure.

Typically, in presentations of introductory microeconomics, the demand and supply sides of markets are separated, demand being associated with households and consumption, and supply being associated with firms and production. However, this organizational structure makes it almost impossible to consider adequately many topics of real-world importance. The participation of nonhousehold economic actors in the demand side of markets (such as intra-industry trade and government demand for military products) becomes difficult to talk about. The productive activities of households, community groups, nonprofits, and governments are understated when production is limited primarily to businesses. And the role of the natural environment in sustaining production is often ignored entirely.

In order to include these broader concerns, this book diverges from other textbooks in three crucial ways:

- First, beneath all of what are commonly thought of as economic concerns are questions about human well-being. Rather than confining “economic thinking” to questions of efficiency, this book takes on deeper issues. What do we want in life? How do we get it? What conflicts may exist between what I want and what you want? Must there always be winners and losers?
- Second, this book reflects a more comprehensive understanding of what constitutes economic activity. Production, distribution (or exchange), and consumption are three essential economic activities, but no less important than these is a fourth: resource maintenance. If an economic system fails to maintain factories, roads, schools, and homes, or the physical and mental health of the people who make up the system, or the farmland, forests, fisheries, and other aspects of the natural environment on which these people depend, the economic activities of production and consumption become difficult or impossible. Explicit discussion of the economic activity of resource maintenance updates economics to include 21st-century concerns about environmental and social sustainability.
- Finally, many economic activities are carried on in the “core sphere” of households and communities and in the “public purpose sphere” of governments and nonprofits. This book looks at the full spectrum of economic activities, not only at those that occur in the “business sphere.”

We have organized the material in this book into five major parts in an effort to offer a more comprehensive picture of economic life than may be found in other principles texts.

- Part I presents the themes of the book and the major actors in the economy. Students are introduced to a range of economic questions and goals and to the structure and size of the various economic spheres. Behavioral assumptions are introduced.
- Part II introduces market institutions, basic supply and demand analysis, and elasticities. For many users, this part will contain the “meat” of the introductory course. It may be taught either before or after Part III, depending on whether the instructor wants first to discuss economic activities (Part III) or to move straight from the introductory chapters into market topics (Part II). Most of this material will look very familiar to teachers of microeconomics, although this text gives greater recognition than is typical to real-world market institutions.
- Part III investigates the four major economic activities: resource maintenance, production, distribution, and consumption. Diverse illustrations of the roles of various economic actors in various economic activities are given—for example, household production is recognized throughout. In addition, the relatively early placement of a chapter dealing with distribution gives prominence to income inequality, poverty, and the role of transfers (as well as exchange) in creating economic well-being.

- Part IV goes more into depth on market topics by describing the idealized model of perfect competition, presenting models of market power, and analyzing various resource markets.
- Part V addresses each of the spheres (core, business, and public purpose) in turn, examining in more detail the history and growth of each and the economic theories relevant to their study.
- Part VI steps back to take an even broader view of how societies have organized economic activity by examining the strengths and weakness of markets as a mode of economic organization and briefly reviewing alternative currents in economic thought.

What Makes This Book Different from Other Texts?

This text covers the traditional topics that most microeconomics texts include but treats from a broader, more holistic perspective. The following chapter-by-chapter synopsis shows how this book manages both to be “the same enough” to fit into a standard curriculum and “different enough” to respond to commonly expressed needs and dissatisfactions.

As in other textbooks, Chapter 1 opens with a discussion of what economics is about. If you have taught with another textbook, you will find a lot of familiar topics here, including discussion of basic questions of economics (what, how, and for whom), essential economic activities (production, distribution, and consumption), positive versus normative questions, efficiency, scarcity, opportunity cost, the Production Possibilities Frontier, and the concept of an economic model. However, we immediately set these topics in the broader context of concern for well-being. We define economics as “the study of the way people organize themselves to sustain life and enhance its quality” and discuss the relationship of intermediate goals to final goals. We introduce the concepts of externalities, public goods, and transactions costs in this chapter—much earlier than in most other texts—in order to emphasize that markets, though very effective in a number of areas, are not on their own sufficient for organizing economic life in service of well-being. We introduce the “three spheres” of economic activity as well as the activity of resource maintenance.

Chapter 2 also includes material that will be familiar from other textbooks, such as the notions of choice, rationality, and self-interest and the circular flow diagram illustrating exchange between households and firms. It updates the standard treatment, however, by drawing on studies of human economic behavior by scholars such as Herbert Simon and Daniel Kahneman, and by touching on issues of organizational structure and behavior. The result is a richer picture of the complicated motivations and institutions underlying real-world economic activities.

Chapter 3 begins Part II, on basic market analysis, with material rarely found in principles textbooks. It supplements the rather abstract treatment of markets that appears in most textbooks with discussion of how markets came about and what they require in terms of legal and social supports. The chapter draws on contemporary research on institutions and the design of market mechanisms to give students insight into the complexity and variety of real-world markets.

Chapter 4 presents traditional, supply and demand analysis, including discussions of the slopes of the curves, factors that shift the curves, equilibrium and market adjustment, and the signaling and rationing functions of prices. Unlike many books that present equilibrium analysis as “the way the world works,” we explicitly introduce supply and demand analysis as a *tool* whose purpose is to help a person disentangle the effects of various factors on real-world prices and quantities. We make methodological points concerning static versus dynamic models, precision versus accuracy in analysis, and market “shortage” versus human-need “inadequacy” in order to make clear both the strengths and the shortcomings of analysis in terms of supply and demand.

In Chapter 5, traditional definitions and discussions of price elasticities of demand and supply, income elasticity of demand, and the income and substitution effects of a price change are presented. Whereas many standard textbooks concentrate solely on efficiency effects when discussing markets, the contextual approach demands that power issues and distributional consequences also be addressed when touching on issues of markets and policies.

Chapter 6 begins Part III, on the four major economic activities, with a discussion of the activity of resource maintenance—that is, the vital importance of taking into consideration the effect of flows created by economic activity on the stocks of productive resources that will be available for future use. In a departure from other treatments, this book examines the crucial contributions of natural capital (that is, environmental resources), human capital, and social capital to economic activity and human well-being. It also incorporates treatments of manufactured capital (machinery and physical infrastructure) and financial capital that are often spread thinly across chapters in other books.

Chapter 7 is the first of two chapters on production. This chapter looks at production costs, including a traditional discussion of fixed and variable inputs; diminishing, constant, and increasing returns; and short-run versus long-run issues. The student learns to graph total product curves and total cost curves and is introduced to the concept of marginal cost. We put these concepts in the larger context of the overall social efficiency of production by including discussions of external costs. Examples of household, government, and non-profit production are also given. Graphs illustrating the deriving of average variable cost curves and average total cost curves are included in an appendix to the chapter. Thus instructors have the option of using the time generally spent in deriving these curves on topics that may be of greater interest and usefulness to the beginning economics student.

In Chapter 8 the discussion of production continues with a focus on decision making. We present the traditional model of the productive firm maximizing profit by applying marginal analysis, including graphs of total and marginal costs and revenues. We demonstrate how the decision about how much to produce changes with changes in the output price. We set this model in context in two important ways. First, the chapter encourages students to reflect on the idea that because of externalities, private and social net benefits from production may not be equivalent. Second, the chapter offers examples of cases where other economic actors (besides firms) make production decisions and cases where other methods of decision making are necessary. We introduce such “advanced” notions as nonconvexity, multiple equilibria, path dependence, and network externalities, using examples that students have encountered in their own lives.

Chapter 9 discusses the basic economic activity of distribution. Among the familiar topics covered are the gains-from-trade story that is now so important in discussing topical issues of global commerce, the advantages of exchange as a way of organizing the distribution of society’s economic goods, and the distribution of money income. The chapter sets this discussion of exchange squarely in context by also examining several potential weaknesses of exchange as a form of distribution. In addition, it complements the discussion of exchange with a serious treatment of transfers (such as those from governments to retirees and those from parents to children) as a significant means of distribution in contemporary economies, and it discusses the strengths and weaknesses of transfers. In this way, governmental, non-profit, and intra-household distributive activities are treated as central to economic life, rather than as “interference” or as “noneconomic” flows.

Chapter 10 presents the traditional utility-theoretic model of consumer behavior. We explain the notion of consumer sovereignty, show students how to graph a budget line, and explain the rule for utility maximization derived from marginal thinking. We set this material in context by also discussing the psychological models of consumer behavior used in marketing research and the historical development of the “consumer

society.” Rather than equating subjective consumer satisfaction with well-being, we draw on Amartya Sen’s “capabilities” approach and discuss the personal and ecological impact of high-level consumption patterns.

Part IV, “A Closer Look at Markets,” begins with Chapter 11 on perfect competition. The characteristics of such a market are described, and the zero-economic-profit and efficiency outcomes are discussed. This chapter also covers the standard topics of consumer and producer surplus and deadweight loss. The discussion of this model is subtly contextualized by emphasizing that it represents an idealized, abstract case rather than a natural state of the world. Whereas other texts usually stress that policies such as rent control and taxation lead to inefficiencies (in a world of perfect competition), our treatment delves into the social and institutional context of such policies and their distributional consequences.

Chapter 12 covers traditional models of monopoly, monopolistic competition, and oligopoly. An important complement to this chapter is Chapter 16, which goes beyond these traditional analytical models to discuss contemporary issues of globalization and corporate power.

In Chapter 13 we turn our attention to markets for labor. Topics include the upward-sloping and backward-bending individual paid labor supply curves and the traditional derivation of profit-maximizing labor demand by a perfectly informed and perfectly competitive firm. We also address the traditional topics of market power, compensating wage differentials, worker motivation, and labor market discrimination. The “contextual economics approach” is evident in our treatment of household production as among the alternative uses of time and in the emphasis placed on the strength of non-market forces. Instead of focusing only on market equilibrium and efficiency, we note that in view of strong norms and the frequent lack of good information about worker productivity, historical and social factors can have persistent effects on wage and employment patterns.

Chapter 14 concludes Part IV by discussing natural resources, social capital, manufactured capital, and financial capital in a market context. Among the topics here that might be familiar from other books are the present value formula, marginal factor cost, marginal revenue product, and an overview of stock and bond markets. Unlike other texts, this book draws a distinction between “economistic” and “ecological” views of the value of natural capital, raising the question of whether valuation methods designed for relatively short-term building and equipment projects can reasonably be applied to projects with unpredictable effects over the very long term (given the complexity of natural systems). It includes a discussion of social capital, noting how this factor is sometimes traded in markets (for example, when a firm’s selling price reflects its reputation and managerial expertise) and how markets can sometimes erode important aspects of social cohesion. It highlights the roles played by true uncertainty and speculation in financial markets, rather than focusing only on market equilibrium.

Chapter 15 begins Part V, on the three spheres of economic activity, by examining the economics of the core sphere, which is composed of households and community groups. Here we enumerate the many areas in which this sphere plays a crucial role in creating economic well-being (including final production, care of children, and decisions regarding consumption and human capital formation). We then discuss how the core sphere has changed from the time of the “cult of domesticity” to today and consider the problems raised by conflicts between family work and paid work.

Chapter 16 shifts the focus to the business sphere. Whereas much of beginning standard theory treats business firms as though they were individual, profit-maximizing decision makers, this chapter looks more closely at firms as real-world complex organizations. We describe the legal organization of firms and discuss the history of the growth of large vertically or horizontally integrated corporations and conglomerates. We include standard concepts such as principal-agent theory, but we also discuss ethical and

organizational dilemmas in firms, contrasting “shareholder theory” with “stakeholder theory.” We suggest that the growth of firms may be related to quests for personal or political power, as well as to technical economies, and that a dual structure of oligopolistic and competitive firms may serve the interests of powerful businesses. The activities of multinational corporations, the growth of global markets and global competition, and activities such as global subcontracting and offshoring are examined. The chapter concludes with a discussion of the effects of contemporary trends on human and societal well-being.

Chapter 17 takes a closer look at the public purpose sphere, which is composed of governments and non-profit organizations. This chapter includes some topics often found in other textbooks on principles of economics, such as government regulation of monopolistic trade practices, government social welfare policies, and the size of government. The attention we give to the economic activities of domestic non-profit organizations and international quasi-governmental organizations, however, is unique. Our broader approach enables us to discuss important interactions among civil society, government, and corporate groups dealing with economic issues, including the topical issue of the WTO and regulation of global trade. We show how government and non-profit organizations have historically developed to address issues of coordination, welfare, market regulation, and environmental protection.

As global economic relations have become increasingly important, it has become essential for students to understand how microeconomic relationships have developed differently, and with different results, in various countries. Chapter 18 addresses this need by looking at the larger picture of economic systems and their relationship to human well-being. We discuss capitalist and socialist systems, especially in their “corporate capitalist” and “state socialist” forms, noting that real-world economies of both capitalist and socialist types vary widely in the extent of their reliance on market and administrative modes of organization. We give a brief history of the development of modern economic systems in various parts of the world (including the effects of wars and colonization and the recent radical changes in most formerly communist countries) and provide a brief review of some comparative measures of performance in terms of living standards and sustainability.

Chapter 19 addresses what is perhaps the most salient overarching policy question of our day. In a time of welfare rollbacks and free-trade agreements justified by appeals to market efficiency, is the claim that “markets are always best” supported by rigorous economic analysis? This chapter investigates the view that free market policies are “proved” to be optimal by traditional neoclassical economic theory, including discussions of the general equilibrium model, the concept of Pareto efficiency, and the first fundamental theorem of welfare economics. We then offer an overview of the variety of contemporary economic theories, including adaptations of the neoclassical model; “new” institutionalist, “old” institutionalist, social, Marxist, post-Keynesian, and Austrian economics; and ecological and feminist approaches.

Special Features

Each chapter in this text contains many features designed to enhance student learning.

- Key terms are highlighted in boldface type throughout the text, and important ideas and definitions are set off from the main text.
- Discussion Questions at the end of each section encourage immediate review of what has been read and link the material to the students’ own experiences. The frequent appearance of these questions throughout each chapter helps students review manageable portions of material and thus boosts comprehension. The questions can be used for participatory exercises involving the entire class or for small-group discussion.

- End-of-chapter Review Questions are designed to encourage students to create their own summary of concepts. They also serve as helpful guidelines to the importance of various points.
- End-of-chapter Exercises encourage students to work with and apply the material, thereby gaining increased mastery of concepts, models, and investigative techniques.
- Throughout all the chapters, “Economics in the Real World” and “News in Context” boxes enliven the material with real-world illustrations drawn from a variety of sources.
- In order to make the chapters as lively and accessible as possible, some formal and technical material (suitable for inclusion in some but not all course designs) is carefully and concisely explained in chapter appendices.

A glossary at the end of the book contains all key terms, their definitions, and the number of the chapter in which each was first used and defined.

Supplements

The supplements package for this book provides a complete set of teaching tools and resources for instructors using this text and a great many opportunities for student review and practice. The authors have worked closely with our associate Brian Roach to create an *Instructor's Resource Manual* and *Test Bank* to accompany *Microeconomics in Context*. For each chapter, the *Instructor's Resource Manual* includes a statement of objectives for student learning, a list of key terms, a Lecture Outline, and answers to all Review Questions and end-of-chapter Exercises. In addition, the “Notes on Text Discussion Questions” provide not only suggested answers to these questions but also ideas on how the questions might be used in the classroom. And sections entitled “Web Resources” and “Extensions” provide supplementary material and links to other passages in the book or other materials that can be used to enrich lectures and discussion.

The *Test Bank*, which is available in both print form and electronic form, includes a full complement of multiple-choice and true/false questions for each chapter, annotated to indicate the type of question (factual or applied), the difficulty level, and the correct answer. The electronic version is found in the *HMClassPrep with HMTTesting CD-ROM*.

This all-in-one instructor CD contains a wealth of resources, including all the test questions and PowerPoint slides for the text. The sophisticated and user-friendly HMTTesting program enables instructors to create tests quickly according to various selection criteria, among them random selection. The program prints graphs and tables as well as the text part of each question. Instructors can scramble the questions and the answer choices, edit questions, add their own questions to the pool, and customize their exams in various other ways. HMTTesting provides a complete testing solution, including classroom administration and online testing features in addition to test generation. The program works for both PC and Mac-compatible computers.

The *Microeconomics in Context* website, accessible at **economics.college.hmco.com/instructors**, offers online versions of the *Instructor's Resource Manual* and *Test Bank*, PowerPoint slides with teaching tips and figures from the text, and numerous resources and updates for instructors.

For students, a printed *Study Guide* provides ample opportunity to review and practice the key concepts developed in the text. Additional self-testing and review material, including ACE self-tests for each chapter, flash cards, and links and resources, are found on the *Student Website* to accompany *Microeconomics in Context*, available at **economics.college.hmco.com/students**.

In addition, for instructors who request the Smarthinking package when adopting this text, students will have access to *Smarthinking™ Online Tutoring Service*. This live, online tutoring service provides access to trained, qualified “e-structors” from wherever

students are, whenever they need help. Students may interact live online with an experienced Smarthinking “e-structor” (online tutor) between 2 and 5 p.m. and between 9 p.m. and 1 a.m., Eastern Standard Time, every Sunday through Thursday. Smarthinking provides state-of-the-art communication tools, such as chat technology and virtual whiteboards designed for easy rendering of economic formulas and graphs, to help your students practice working with key concepts.

How to Use This Text

The feedback we have received from instructors who reviewed and/or class-tested this text in its Preliminary Edition has been enthusiastic and gratifying. We’ve found that this book works in a variety of courses with a variety of approaches, and we’d like to share some of these instructors’ suggestions on tailoring this book to meet your own course needs.

First, even if you are among those rare instructors who normally get their class all the way through a microeconomics principles text in a semester, you may find that, with a text that is quite different from those you have used before, it is harder to anticipate which chapters will require the most time. Other instructors (perhaps the majority) do not expect to cover all of the material in the textbook. In either case, it is wise to anticipate that the semester may end with some chapters not covered in class—and to plan in advance how to deal with this possibility.

On pages xxiii to xxviii you’ll find several possible course plans based on different emphases (such as neoclassical, ecological, social, and public policy). We hope this will help you plan the course that will best suit your and your students’ needs.

Note on Differences from the Preliminary Edition

A Preliminary Edition of this text was published by Houghton Mifflin in early 2003. If you were one of the users of that edition, you will want to note the following changes which have been made in response to feedback from class testing.

The material on market institutions and that on supply and demand have been moved to an earlier position in the book. As we have noted, however, Parts II and III can be taught in reverse order if you prefer the original ordering of topics. The order of topics in Chapters 1 and 2 has been altered, and the Production Possibilities Frontier and the concept of opportunity cost are now introduced in Chapter 1. There are now two chapters on market structure (Chapters 11 and 12) instead of one, and consumer and producer surplus analysis has been moved to Chapter 11.

In the discussion of production (Chapters 7 and 8), additional charts and graphs have been added, and the discussion of “sunk costs” has been clarified. “Thick” curves have been dropped from the chapter on supply and demand, although this material is still available in the *Instructor’s Resource Manual*. The “kinked demand curve” has been dropped from the discussion of oligopoly. The detailed discussion of assets and sources of income that appeared in the chapter on distribution (Chapter 9) has been dropped. A new section on globalization has been added to the chapter on the business sphere (Chapter 16).

News boxes have been updated, and changes in wording—including the names of goods in examples—have been made in many places. The “three sectors” are now referred to as the three spheres. The “simple mechanical model” is now called the traditional model or the basic neoclassical model. “Produced capital” is now referred to as “manufactured capital,” and the use of acronyms to denote various kinds of capital has been dropped. The lists of key terms have been dropped from the end of each chapter, but they are still available in the *Instructor’s Resource Manual*.

A more detailed comparison of the preliminary and first editions is available on the *Microeconomics in Context* instructor website at economics.college.hmco.com/instructors.

Acknowledgments

Microeconomics in Context was written under the auspices of the Global Development and Environment Institute, a research institute at Tufts University. This text has been a long time in the making, and many people have been involved along the way. An early workshop testing our “contextual approach” through a variety of interactions with students and faculty got us started. We are grateful to David Garman, of the Tufts University Economics Department, who arranged an opportunity for us to class-test a very early draft, and we appreciate the feedback we received from the undergraduates in that class.

Next, workshops held at four different universities yielded much excellent feedback about our intended approach and topic coverage, in comparison to other introductory microeconomics texts. Steven Cohn of Knox College, Illinois, was the principal organizer for these workshops, using a sabbatical and the assistance of Yahya Madra to lead the initial workshop at the University of Massachusetts at Amherst. Other workshop leaders, and important contributors to the project, included Julie Heath, chair of the Department of Economics at the University of Memphis where Professor David Ciscel participated in the workshop along with a number of graduate students; Geoffrey Schneider, who ran a faculty workshop at Bucknell University that included, as regular participants, Janet Knoedler, Tom Kinnaman, and Cathy O’Connor; and George Langelett and Michael Hauptert at the University of Wisconsin.

Because more than 150 people participated in extended electronic conversations organized around the workshops, we unfortunately cannot thank them all by name for their many valuable contributions. Most of the graduate students who participated in person at the workshops were actively engaged in teaching courses in principles of economics, and we wish to acknowledge the value of their insights.

On the basis of these conversations, an early draft of the textbook was prepared in 2000. This early draft formed the basis for editions designed for transitional economies, which were translated and published in Russia (Russian State University for the Humanities, 2002) and Vietnam (Hanoi Commercial University, 2002). Economists who contributed ideas to the transitional economies texts included Oleg Ananyin (Institute of Economics and Higher School of Economics, Moscow), Pham Vu Luan and Hoang Van Kinh (Hanoi Commercial University), Peter Dorman (Evergreen College); Susan Feiner (University of Southern Maine); Drucilla Barker (Hollins College); Robert McIntyre (Smith College); Andrew Zimbalist (Smith College); Cheryl Lehman (Hofstra University); and Raymond Benton (Loyola University).

The early draft was also distributed in English to interested instructors from various colleges. We would like to thank Robert Scott Gassler (Vesalius College of the Vrije Universiteit Brussels), Julie Matthaei (Wellesley College), and Adrian Meuller (CEPE Centre for Energy Policy and Economics), who, among others, provided helpful comments on the early draft as it began to be developed for use in the introductory microeconomics course in the United States. We also are grateful for comments received from faculty and students participating in a workshop on economics education at the University of Utah, including Gokcer Ozgur.

Work on the text during the last 2½ years, led by Julie Nelson, was greatly facilitated by feedback from Steven Cohn, as well as by careful readings and extensive commentaries on successive drafts from Jonathan Harris and Brian Roach at the Global Development and Environment Institute. Among the Tufts students who assisted in many ways with the evolving project, we especially want to thank Sucharita Kuchibhotla, Moji Terry, Samantha Diamond, and Dina Dubson for their painstaking editing and indexing work. Working toward publication of the Preliminary Edition of this textbook, we were greatly aided and encouraged by comments from Sandy Baum (Skidmore College), Jose Juan Bautista (Xavier University of Louisiana), Gary Ferrier (University of

Arkansas), Ronald L. Friesen (Bluffton College), and Abu N. M. Wahid (Tennessee State University).

With the publication of the Preliminary Edition in early 2003, the book underwent additional review and class testing. The comments we received at this stage were enormously helpful in turning the textbook into an even more effective teaching tool—and we want to thank the many instructors and students who participated in this process. Eight instructors who were exceptionally generous in giving us feedback from their classroom use of this text were Fred Curtis (Drew University), James Devine (Loyola Marymount University), Richard England (University of New Hampshire), Mehrene Larudee (Bates College), Akira Motomura (Stonehill College), Shyamala Raman (Saint Joseph College), Judith K. Robinson (Castleton State College) and Marjolein van der Veen (Shoreline Community College). We also received detailed comments from Timothy E. Burson (Queens University of Charlotte), Will Cummings (Grossmont College), Dennis Debrecht (Carroll College), Amy McCormick Diduch (Mary Baldwin College), Miren Ivankovic (Southern Wesleyan University), Eric P. Mitchell (Randolph-Macon Woman's College), Malcolm Robinson (Thomas More College), June Roux (Salem Community College), Edward K. Zajicek (Kalamazoo College), Steve Balkin (Roosevelt University), Ernest Diedrich (College of St. Benedict/St. John's University), Mark Maier (Glendale Community College), Ken Meter (Kennedy School of Government), Sigrid Stagl (University of Leeds), and Myra Strober (Stanford University). Marjolein van der Veen also reviewed text and art during the production phase, and we are very grateful for her sharp eyes!

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Sample Course Outlines

The span of a term imposes severe constraints on what an instructor can teach. We believe that *Microeconomics in Context*, First Edition, can be used as the basis for a variety of approaches, depending on how much flexibility you have and how much time you would like to devote to topics and approaches that may be of particular interest to you and your students.

To help you choose the chapter assignments that make the most sense for your class needs, we have put together some ideas for course outlines. These appear below. Arranged in terms of broad “selections” and more specific “emphases,” they are designed to help you choose among chapters when you find that there is not enough time to cover everything that appears in *Microeconomics in Context*.

We understand that one primary objective of the introductory course in most departments is teaching in some detail “how (neoclassical) economists think.” For those instructors who either must or choose to focus exclusively on neoclassical content, the most traditional combination of the selections described below—the “base chapters,” combined with some or all of the “neoclassical concepts” selection and the “neoclassical modeling” emphasis—will provide what you need. This combination of chapters does not come close to exploiting fully the richness of the *Microeconomics in Context* textbook, but the contextual discussions (a hallmark of this text) that are interwoven into the standard material will inform the students about some of the crucial assumptions and limitations of neoclassical analysis—and will broaden their understanding of economic theory.

Many instructors have somewhat more leeway and can combine coverage of traditional neoclassical ideas with other material. We expect most users of *Microeconomics in Context* (MIC) to be in this category. We suggest that you make use of the special structure of the book, which enables you to introduce neoclassical concepts in your introductory course while still reserving class time for other areas of interest. Concepts such as opportunity cost (a topic covered within the “base chapters”) are important to teach, but how many beginning students have a pressing need to know about the intricacies of average variable cost curves and indifference curves? Such material will be largely irrelevant to the future lives of those who are not majoring in economics, and even economics majors often complain of boredom when this material is repeated at the intermediate level. If you are an instructor with some flexibility, you might choose the “base” selection and parts of the “neoclassical concepts” selection and combine these with one or more of the emphases described below.

Some of you may have even more flexibility, perhaps because you teach primarily nonmajors or teach outside of an economics department, such as in a public policy school, environmental sciences department, or interdisciplinary social studies department. If you are in this category, you can set the less relevant parts of the traditional

neoclassical curriculum aside altogether and teach a course that is even richer in its variety of topics and intellectual scope. Such a course might include the “base” selection, some material from the “neoclassical concepts” selection, and much more material from the topical emphases.

Summary of Possible Course Options When Not All of MIC Can Be Taught

Curriculum Focus	Likely Selections
Traditional neoclassical, with emphasis on technique	Base Chapters Selection (Chapters 1, 3, and 4) Neoclassical Concepts Selection (see description below) Neoclassical Modeling Emphasis (Appendices to Chapters 7–13)
Strong focus on neoclassical concepts with other themes woven in	Base Chapters Selection (Chapters 1, 3, and 4) Neoclassical Concepts Selection (see description below) Choose from Other Emphases (see descriptions below)
Coverage of basic and traditional concepts within course tailored to instructor and student interests	Base Chapters (Chapters 1, 3, and 4) Choose from Neoclassical Concepts (see description below) Choose from Other Emphases (see descriptions below)

Suggestions for Selections That Could Be Combined to Form a Specific Course Plan

Base Chapters Selection

- **Chapter 1**, Economic Activity in Context
- **Chapter 3**, Market Institutions
- **Chapter 4**, Supply and Demand

Neoclassical Concepts Selection

Include:

- Section 4 of **Chapter 2**, Economic Actors and Organizations (rational, self-interested behavior and circular flow)
- **Chapter 5**, Working with Supply and Demand (elasticities)
- Section 1 of **Chapter 6**, Capital Stocks and Resource Maintenance (defining stocks and flows, capital)
- **Chapter 7**, Production Costs
- Sections 1, 2, and 3.1 of **Chapter 8**, Production Decisions (neoclassical producer theory: production and cost functions, marginal analysis, the decision whether to produce)
- Sections 1 and 3 of **Chapter 10**, Consumption and the Consumer Society (neoclassical consumer theory)
- **Chapter 11**, Markets Without Market Power (perfect competition)
- **Chapter 12**, Markets with Market Power (“imperfect” competition)
- Section 3.2 of **Chapter 17**, The Public Purpose Sphere: Governments and Nonprofits (regulation of monopolies and trade practices)

Consider:

- Section 2 of **Chapter 9**, Distribution: Exchange and Transfer (gains from specialization and trade)
- Sections 2, 3, 5 of **Chapter 13**, Markets for Labor (neoclassical labor markets)
- Sections 1 and 2.1 of **Chapter 14**, Markets for Other Resources (present value calculations and capital markets)
- Section 2 of **Chapter 19**, Market Systems and Normative Claims (neoclassical welfare economics)

Neoclassical Modeling Emphasis*Include:*

- **Appendix to Chapter 7**, A Formal Model of Producer Costs (average total and average variable cost curves)
- **Appendix to Chapter 8**, A Formal Theory of Producer Behavior with Convexity and Perfect Competition (full neoclassical producer theory graphs)
- **Appendix to Chapter 10**, A Formal Theory of Consumer Behavior (indifference curves)
- **Appendix to Chapter 11**, A Formal Analysis of a Market with Perfect Competition
- **Appendix to Chapter 12**, A Formal Analysis of Monopoly and Monopolistic Competition

Consider:

- **Appendix to Chapter 9**, A Formal Theory of Gains from Trade
- **Appendix to Chapter 13**, A Formal Model of a Firm's Hiring Decision in Perfect Competition

Ecological Emphasis*Include:*

- **Chapter 6**, Capital Stocks and Resource Maintenance (especially Sections 1, 3 and 8, natural capital and sustainability)
- **Chapter 10**, Consumption and the Consumer Society (especially Sections 2, 4, and 5, rising consumption and its ecological implications)
- **Chapter 14**, Markets for Other Resources (especially Sections 1 and 2, markets for resources)
- **Chapter 17**, The Public Purpose Sphere: Governments and Nonprofits (especially Section 3.4, environmental protection)
- **Chapter 18**, The Variety of Economic Systems (especially Section 4.3, cross-country comparisons of sustainability).

Global/International Emphasis*Emphasize:*

- Sections 2 and 3 and appendix of **Chapter 9**, Distribution: Exchange and Transfer ("gains from trade" and aid issues)
- Section 5 of **Chapter 16**, The Business Sphere: For-Profit Firms (Globalization)
- Sections 2.3 and 3.2 of **Chapter 17**, The Public Purpose Sphere: Governments and Nonprofits (international regulatory institutions)
- **Chapter 18**, The Variety of Economic Systems (cross-country comparisons).

Finance/Business Emphasis*Include:*

- **Chapter 6**, Capital Stocks and Resource Maintenance (especially Section 7, financial capital)

- **Chapter 8**, Production Decisions (especially Sections 3 and 4, discrete decision making and finance)
- **Chapter 10**, Consumption and the Consumer Society (especially Section 2, the marketing view of consumption)
- **Chapter 13**, Markets for Labor
- **Chapter 14**, Markets for Other Resources
- Section 3 of **Chapter 15**, The Core Sphere: Households and Communities (work/family policies)
- **Chapter 16**, The Business Sphere: For-Profit Firms
- **Chapter 17**, The Public Purpose Sphere: Governments and Nonprofits (especially Sections 3.2 and 3.3, regulation)

Public Policy Emphasis

Emphasize:

- **Chapter 17**, The Public Purpose Sphere: Governments and Nonprofits

Include:

- **Chapter 9**, Distribution: Exchange and Transfer
- Section 3 of **Chapter 11**, Markets Without Market Power (equity, efficiency, and policy)
- Section 4.5 of **Chapter 13**, Markets for Labor (discrimination)
- Section 3 of **Chapter 15**, The Core Sphere: Households and Communities (work/family policies)
- **Chapter 18**, The Variety of Economic Systems
- **Chapter 19**, Market Systems and Normative Claims

Gender Issues/Feminist Emphasis

Include:

- Section 3 of **Chapter 9**, Distribution: Exchange and Transfer (dealing with human dependency needs)
- **Chapter 13**, Markets for Labor (especially Section 4.5, discrimination)
- **Chapter 15**, The Core Sphere: Households and Communities (core sector of households and communities)

Consider:

- **Chapter 19**, Market Systems and Normative Claims

Poverty/Inequality/Social Justice Emphasis

Emphasize:

- **Chapter 9**, Distribution: Exchange and Transfer (especially Section 4, inequality)
- Section 5 of **Chapter 10**, Consumption and the Consumer Society (consumption and well-being)

Include:

- Section 5.2 of **Chapter 4**, Supply and Demand (inadequacy)
- Section 4 of **Chapter 13**, Markets for Labor (explaining variations in wages)
- Section 3.1 of **Chapter 17**, The Public Purpose Sphere: Governments and Nonprofits (social welfare policy)
- **Chapter 18**, The Variety of Economic Systems