Intermediate **Microeconomics** and Its **Application** Walter Nicholson Third Edition

# Intermediate Microeconomics and Its Application Third Edition

Walter Nicholson
Amherst College

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# To Kate, David, Tory, and Paul—all of whom still like to see their names in print

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## **Preface**

This book is intended primarily for use by undergraduates in an intermediate microeconomics course. It provides an elementary but rigorous introduction to the tools economists have developed for studying how economic resources are allocated. By covering a broad range of topics and including a number of carefully integrated applications, the book seeks to illustrate the variety and fascination of modern microeconomics.

Formal prerequisites for using the book are minimal: some knowledge of introductory economics, a familiarity with principles of algebra, and an acquaintance with graphing techniques (all reviewed early in the text) should suffice. The "proofs" in the book are presented intuitively and graphically; students willing to pursue a careful, logical argument should not encounter major technical difficulties with this material.

### New to the Third Edition

This edition offers improvements over its predecessors, both in content and pedagogy. Most significant among these are:

- 1. A new chapter devoted to the economics of uncertainty;
- **2.** A new chapter on judging welfare improvements that examines price indices, hedonic prices and the benefits of free exchange;
- **3.** An expanded industrial organization chapter with a major section on antitrust:
- **4.** Many new empirical examples on topics such as firms' demand for energy, airline deregulation, pricing at Disneyland, cigarette advertising, and the nature of mining contracts;
- 5. Additional highlighted definitions and basic analytical principles;
- **6.** A number of new, relatively simple problems to augment the more challenging ones; and
- 7. An Appendix giving the solutions to all the odd-numbered problems, which should improve the book's usefulness for independent learning.

### **Outline of the Book**

As in previous editions, the 23 chapters of this book are divided into 7 parts. Part I is a general introduction that provides a review of concepts from elementary economics and summarizes some of the algebraic and graphic tools used later in the book. Parts II, III, and IV develop the basic model of demand and supply and form the analytical core of the book. With the possible exception of the appendixes and Chapters 5 and 6 in Part II, most instructors will choose to cover all the material in these parts. The final three parts of the book may be covered more or less selectively. Part V examines factor markets, Part VI treats equilibrium and welfare economics, and Part VII addresses various issues about the economic role of government. In my courses, I have tried to touch on all of these topics, but other users may prefer a more selective approach. The book is intended to accommodate a wide variety of preferences.

### **Acknowledgments**

The many comments I have received from users of my previous editions have been most helpful in developing this third edition. In addition, detailed reviews by Michael Behr, University of Wisconsin—Superior; John Laitner, University of Michigan; Timothy McGuire, Carnegie-Mellon University; Richard Porter, University of Michigan; and Eugene Silberberg, University of Washington; contributed greatly to clarifying the analysis in the text and improving its readability. Several Amherst students have helped me develop the problems and applications in this and previous editions: Bill Adkinson, Eric Fornell, Katie Merrell, and Jeff Rodman deserve a special thanks for all their help. At The Dryden Press, Judy Sarwark, Kathy Richmond, and Julia Ehresmann guided this edition through the editorial reviewing and book production. Their careful work and helpful suggestions are most appreciated. As for the previous editions, Dorothy Ives is largely responsible for actually making this edition happen. Since I ran out of superlatives to describe her work several years ago, I am

constrained here simply to offer my deepest appreciation. Finally, readers looking for my customary reference to my children should check this book's dedication for the latest news.

Walter Nicholson Amherst College Amherst, Massachusetts November 1982

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