

ABOUT THIS BOOK

"Principles of Microeconomics" because this is the core of economics. Microeconomics is called "micro" because it focuses on the behaviour of consumers, firms and industries and their interaction on markets. The modest name microeconomics is, however, slightly misleading. In reality, micro establishes the major principles of economics, which are then used to explain many macroeconomic phenomena; in fact, these principles are applied to almost any economic problem under the sun.

"A Crash Course" because that's all you need. The most astonishing thing about the edifice of microeconomic thought is its extraordinary stringency. Matching this stringency with a stringent pedagogic approach makes economics transparent and much easier to understand. This is why all the principles of microeconomics have been clearly stated and explained without wrapping them in case studies, which tend to blur the picture. There are, however, numerous examples to illustrate economic laws and make it easier to remember them. Such stringency tends to have the side-effect of generating many yes-but questions about theoretical aspects. They have been dealt with wherever I anticipated them. Teaching economics cannot be handled like a pontification with the real questions neither being asked nor answered. The *Crash Course* accounts for some 200 pages plus three chapters on the history of economic thought, which are conceived as spare-time reading to accompany your microeconomics course. Despite this relative brevity, all theories that standard micro principles books contain are covered, viz. the definitions of all relevant terms, the laws that govern the relations between these terms and the graphs illustrating these relations.

"A Chapter-by-Chapter Critique" because many economic theories are untenable. I learnt on the Web that there are several critical books about economics. But, as far as I know, there is no systematic chapter-by-chapter critique, which, I think, is more helpful for students than a critique of selected subjects. Students are rightly impressed by the elegance, rigour, logic and simplicity of the microeconomic model. But unfortunately, the logic and rigour are accompanied by a high degree of implausibility, which makes students doubt the validity of this model. The doubts arise because, as you will see throughout this book, some theories in the model do not stand the test of reality; others do not even stand the test of consistency. Misgivings and uneasy feelings need clarification and transformation into rational thought. This is done after standard theory has been explained in detail. Reading the *Critiques* is, by the way, a good method of testing your knowledge about what you have learnt in the *Crash Course*. It might be helpful to ask yourself whether you can refute the *Critique* or whether the *Critique* refutes standard theory.

How the Book Is Structured

The book comprises two parts. Like all authors, I would like you to read its chapters in the order in which they were written. I suppose you will not do that. I therefore often felt haunted by questions such as "Will they remember that?" or "Have they read this or that definition in the preceding chapter?" As a result, I tried to keep each chapter as independent as possible, which required some repetition. It may be excused by the fact that repetition (yours) is indispensable; learning is a process of linking unknown new things with known familiar things. All repetitions have been marked with an (R) in the headings. Here is a short survey of the two parts:

Part I. What Economics is. This part describes the assumptions that economists take for granted, in other words their paradigm, various definitions of the subject of economics, and, most importantly, the tools economists use. At the end you will find three chapters on the history of economic thought with surveys of the most important economists. Part I comprises seven chapters.

Part II. Microeconomics and Microeconomic Policy. A much-cited proverb has it that you can turn any parrot into an economist. This is so because the microeconomic model revolves round six terms and the relationships between them. These terms are: demand, supply, competition, market, price and equilibrium. Each of them is explained separately in one or two chapters. Four extra chapters are devoted to microeconomic policy, which corrects what happens on markets. Part II consists of 15 chapters.

How Chapters Are Structured

For didactic reasons, each chapter has been split up into short, easily digestible paragraphs, each with a heading in bold type that contains a key word, an important definition or the major thesis of the paragraph. These headings are intended to make the contents of the chapter transparent and to facilitate review. Here is a survey to show the sections of which chapters consist:

Introduction. Preceding each chapter, the introduction is intended to give you an idea of what awaits you and what difficulties might arise.

The Crash Course. This is the core of each chapter, where standard theory is explained.

Critique. This section explains what is wrong or at least questionable in standard theory. At the end of it, you will find *Concluding Notes*, which suggest a future agenda for economics.

References and Further Reading. The discussion of selected books and papers at the end of chapters is designed to make you familiar with the *mainstream* criticism of mainstream theory as early as possible. There were two criteria for selecting writings: the seminal nature of the work and easy accessibility for you. The books and papers chosen are likely to be in your university library; most papers are also on the Web. Some of them require a JSTOR subscription, which your university certainly has.

About This Book

You will also find a wealth of references in the footnotes of most chapters. In the Appendix of the book you will find a *Bibliography* plus additional *Further Reading Recommendations* for the time after this course.

Some Help on My Website

Here is a list of what you will find there:

- Questions for Review plus answers for each chapter.
- Test Questions plus answers for each chapter. Modelled on college exam papers, these questions are much more difficult than the Questions for Review.
- Questions for Thought and Discussion, they relate to the *Critique* and the *References and Further Reading* sections.
- Some advice for your exams.
- Links to some helpful econ-related Websites.
- References to new papers, books and Websites that might interest you.
- A link to contact me.

The Bias of the Book

The book has been written from a European perspective. For American readers, it might therefore have a pro-government, anti-business bias. We Europeans have every reason to be sceptical of our governments. But we still expect them to be good, and we are disappointed when they turn out to be corrupt or incompetent. And we are more afraid of the influence exerted by big business on elected politicians than of government intervention in the economy. In the United States, the opposite seems to be the case.

A European perspective is not a regulate-everything perspective. The book argues for the right balance between regulation and deregulation, for preventing free enterprise from devastating the earth and treating man as a commodity, but also for the abolition of non-transparent tax systems and the elimination of red-tape that stifles any initiative. And it strongly espouses a very unbureaucratic and efficient negative-income scheme to replace the entire welfare mess.

There is a second European bias: emphasis on the importance of historical knowledge for gaining insight and understanding. The history of economic thought has recently been scrapped in most curricula in the United States. This has been done to give economics the air of a science that formulates laws of eternal and universal validity. No other science neglects its history – nobody would consider teaching music without mentioning Bach or Mozart. In addition to denying students access to a wealth of knowledge, this non-historical approach deprives them of the possibility of finding an economist with whom they can identify and whose ideas and approaches they would like to develop further. Together with the history of economics, economic history has also been removed in order to demonstrate that economic laws are valid independent of time and space. In reality, economics is as contin-

gent on history as is historical development on economic ideas. Present mainstream economics and capitalism are closely interlocked; they are inconceivable without each other.

There is a third bias: I am heavily opposed to pseudo-scientific jargon. There is no doubt that a major aim of an introductory book is to make students familiar with the subject's terminology. I have done my best to achieve this aim in the *Crash Course*. But the *Critique* has not been written in the jargon that is so typical of mainstream criticism. I did not feel that I had to take the password test to which economists are subjected. A mainstream economist who challenges the validity of a theory cannot afford to say that the theory is wrong because it is illogical; he must say that its diminishing-returns assumptions are not robust under non-convexity conditions, or something of that sort. If he does not use such terminology, his paper will not be accepted. About the biases the book does *not* have: I am not a male chauvinist in a skirt. I simply could not bring myself to switch from "he" to "she" in every other sentence when speaking about a banker or a customer. I am always surprised when a "she" who was a "he" in the preceding paragraph appears out of the blue in English books. Nor do I see the necessity of avoiding words like man or mankind when speaking of humanity. Such rhetorical exercises are not really helpful while the sober count-what-counts approach of feminist economists (not all of whom are female) is very helpful.

There are some other biases the book does not have: It does not have a conservative leaning, unless a belief that civilised life and behaviour should not be ruled out by an economic order is viewed as conservative. And unless concern about the world is equated with a leftist position, it does not have a leftist bias. Nor is it a moral critique of capitalist reality. Rather, the book challenges the highly ideological, indeed fundamentalist nature of economics. It is a critique of economic theory on logical, scientific and empirical grounds, which shows that the neo-liberal laissez-faire recommendation that most economists make does not have a scientific basis and that it leads to vast inefficiencies.

So let's get started now and turn our attention to what economists tell students and what students should ask economists.