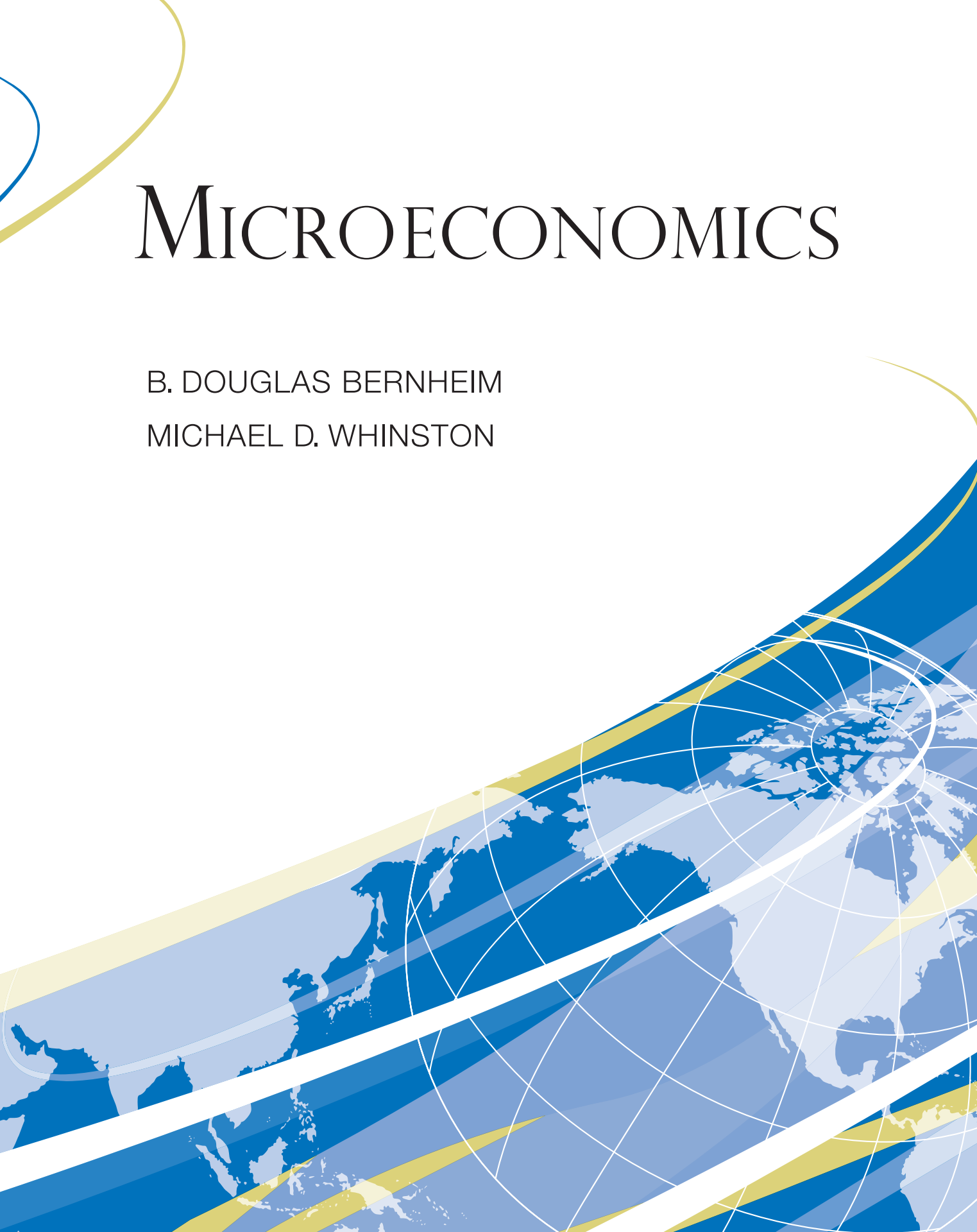


MICROECONOMICS

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Dedication

To our families



MICROECONOMICS

ABOUT THE AUTHORS

B. DOUGLAS BERNHEIM is the Edward Ames Edmonds Professor of Economics at Stanford University. He has also taught in the Department of Finance at Northwestern University's J.L. Kellogg Graduate School of Management and the Department of Economics at Princeton University. He received his A.B. from Harvard University in 1979, and Ph.D. from M.I.T. in 1982. Professor Bernheim's work has spanned a number of fields, including public economics, political economy, game theory, contract theory, behavioral economics, industrial organization, and financial economics. He is a Fellow of the American Academy of Arts and Sciences and of the Econometric Society. He has also served as Co-Editor of the *American Economic Review*, the profession's most widely read journal. Professor Bernheim's teaching has included undergraduate courses in microeconomics and public economics, and graduate courses in microeconomics, public economics, political economy, industrial organization, behavioral economics, and insurance and risk management.



MICHAEL D. WHINSTON is the Robert E. and Emily H. King Professor of Business Institutions in the Department of Economics at Northwestern University, where he also holds appointments at the Kellogg Graduate School of Management and the Law School. Prior to moving to Northwestern, he taught at Harvard. Professor Whinston received his B.S. from the Wharton School at the University of Pennsylvania in 1980, his M.B.A. from the Wharton School in 1984, and his Ph.D. from M.I.T. in 1984. His research has covered a variety of topics in microeconomics and industrial organization, including game theory, the design of contracts and organizations, firm behavior in oligopolistic markets, antitrust, and law and economics. Professor Whinston is a co-author of the leading graduate textbook in microeconomics, *Microeconomic Theory* [Oxford University Press, 1995]. He is a Fellow of the Econometric Society and has also served as a Co-Editor of the *RAND Journal of Economics*, the leading journal in industrial organization. His teaching has included undergraduate microeconomics, as well as graduate courses in microeconomics, industrial organization, and competitive strategy.



Professors Bernheim and Whinston met during the early 1980s while in graduate school at M.I.T., where they began a long and productive collaboration, as well as a close friendship. Together they have co-authored eight published articles in addition to this book. In the course of their collaboration, they have been known to argue with each other for hours about trivial details, such as whether a sentence should use the word “however” or “nevertheless.” It is a miracle that they managed to complete this book.

PREFACE

All of us confront an endless variety of economic choices. Some of those choices involve such personal matters as financing the purchase of a new car or saving for retirement. Some involve such business matters as cost-effective production techniques or investment in new product development. Some involve such matters of public policy as whether to vote for a school bond initiative or a candidate who advocates a particular flavor of health care reform. Sometimes good economic decision making is just a matter of common sense. But in many situations, a command of basic microeconomic principles helps us understand the consequences of our choices and make better decisions.

Our object in writing this book is to provide students with a treatment of intermediate microeconomics that stimulates their interest in the field, introduces them to the tools of the discipline, and starts them on the path toward “thinking like an economist.” Most students will not turn out to be economists, but whether they end up making business decisions, helping to design public policies, or simply managing their own money, the tools of microeconomics can prove invaluable.