In 1983 I published my first book, *Microeconomic Theory: Concepts and Applications*. As an associate professor of economics at what was then Memphis State University I dreamed of fame, wealth, and maybe even a Nobel Prize. Alas, my dreams confronted the harsh reality of publishing inefficiency. With the impending textbook launch by a rival publisher, my publisher rushed from galleys to text, skipping an important quality control step – page proofs. The resulting text was drab (all black and white) and fraught with typographical errors. I remained at Memphis State for another 13 years, my dreams reduced to escaping from a racially charged environment stuck in the mid 1800's. As I was publishing my second book – an update of Michael Brennan's *Preface to Econometrics* – I accepted the offer to move to UNLV as a professor of economics, without tenure.

Through the years I taught microeconomic theory many times, using other authors' textbooks since mine was long out of print. Eventually I decided to update that textbook and provide it free of charge to students in PDF form. Being typical UNLV students, my enrollees postponed reading the text until the night before the exam, complaining that their low grades reflected the many typos in the PDF text. Thinking this was my fault, I contracted with a different publisher, Kendall Hunt, to proofread and publish the text. Imagine my dismay when I experienced déjà vu all over again: the text they produced was bland (a black and white paperback) fraught with typos. When publishers fooled me once, shame on them; when they fooled me the second time, shame on me.

I now hold the opinion that my publishers breached their contract with me. Therefore, I am reverting to the PDF form which at least has colors. The 18 month delay between the initial publication and this revision allowed me to spot many typos that I would have missed immediately after writing the previous draft. I also took the opportunity to highlight all equations in red; think of them as STOP signs; make sure you understand the meaning of the equation before you proceed.

Therefore I will rely on students (as contrasted with enrollees) to search them out and point out corrections so that I can prepare replacement pages in time for exams. Since this is an economics class, incentives are important. Here's the deal: the first student who points out a mistake in the text receives an extra credit point for the exam that chapter covers. All submissions should be sent via e-mail to econ302@aol.com, which is the e-mail address that I am using to send you communications. Since all e-mails are time stamped, it should be easy for me to decide who receives credit. Since my goal is to identify and correct as many mistakes as possible, I have no problem with two or more students colluding, dividing their discoveries between them and submitting separate e-mails. You might actually learn something about the economics of collusion in anticipation of chapters nine and eleven.

A Word about My Exams

Going back to my student days I have always had difficulty with "multiple choice" exams. First, the label is misleading. The typical "multiple choice" exam allows only one choice per question; they are "multiple-option, single-choice exams." What bothers me even more is the incentive for students to guess. Since these exams are graded by merely adding up all the right answers, the probability of missing a question if you pick none of the options is 100%; if there are five options, the chance of getting an extra point is 1/5. Indeed, Kaplan and other exam-prep rent seekers actually teach students how to guess strategically. Apparently their goal – and the goal of parents who pay for their services – is to distort the diagnosis of student aptitudes, thereby allowing high school youngsters to gain admission to prestigious colleges and universities from where they are likely to fail! Imagine what happens to the typical multiple-option, one-choice, and guessing-is-good graduate when they confront their first problem at work. It is inevitable that their boss, a client, or a co-worker will confront them with a problem whose solution they do not know. The prudent answer would be "I don't know, let me find out

and I will get back to you." Instead, the typical multiple-option, one-choice, and guessing-is-good graduate will guess and get fired.

It is my experience from 39 years of professing[1] at the college level that multiple-guess exams encourage group think. For each question there is only one answer and the person in authority (the teacher or professor) knows what that answer is. I was particularly bothered by those questions where "all of the above" is the correct answer. In fact, as an undergraduate student I enrolled in a money and banking course whose instructor (not an effective professor) wrote his own multiple choice questions which invariably had three viable options (A, B, and C), with option D being "none of the above" and option E being "all of the above." Even if I had not been enrolled in a logic course the same semester, it would have been obvious that option E could never be the correct answer, since it would be impossible for A, B and C to all be correct and none of them be correct at the same time. Since the instructor designed his tests so that (his) correct answers were uniformly distributed, the best I could hope for was an 80%, a low B. I nearly got my only other B in an economics class (my earned B was in intermediate microeconomic theory, which we called price theory at the time) in money and banking. I avoided that sad fate by appealing to the chairman of the department, who agreed with my logic. I never learned whether that lawyer who drove from Cincinnati to Oxford Ohio to teach money and banking continued to instruct at Miami University.

My tests are designed to have multiple right answers – the average question will have two right answers and three wrong answers, although it is possible that some questions will have more than two right answers and some will have only one (which will often be "none of the above"). Students get 1 point for each right answer and lose one point for each wrong answer. On average, the expected value of a guess is -0.2 (there is a 40% chance you get a point and a 60% chance you lose a point), while not circling a correct answer counts as zero. It is time to learn, or, barring that, be retrained: It is better to say "I don't know, let me get back to you," than it is to defraud your professor, and later your boss, your clients, or your coworkers.

Because there will be multiple right answers, I cannot use the Scranton to grade the exams. All answers will appear on the test form: you will circle all right answers for each question and leave wrong answers unmarked (I recommend taking exams in pencil in case you change your answer, which usually is a bad strategy). At the end of each exam I will leave two pages for comments that allow you to explain your answers if you believe your interpretation of a question may be different from my own. After either I or a member of my staff grades your exam, I will go through your comments. In a small number of cases I will agree that an option that I thought was wrong is right or vice-versa. I will adjust your exam score accordingly before recording it. Your score on the exam will be the number of right answers minus the number of wrong answers.

Finally, about that "I'll get back to you." The goal of this class is for you to learn and remember microeconomic theory – that means successfully transferring concepts from short-term memory into long term memory. I believe that the efficient way to accomplish this goal is for you to learn economics gradually, one concept and one chapter at a time. I recommend that you come to class prepared, having read the text and prepared to ask questions when you fail to understand or disagree with the

---

[1] I have often told students that "I am a professor, not a teacher." My wife majored in elementary education and worked as a teacher. Teaching is hard; if the students do not learn, it is the teacher's fault. A professor professes (to declare oneself skilled or expert in; claim to have knowledge of; make (a thing) one's profession or business). If my students don't learn, it is their fault! I have found that the greatest impediment to learning is indifference to knowledge.

logic of the text. After each exam is graded and returned the following Monday, I will entertain questions about right and wrong answers (all correct answers will be circled in red). Since overcoming bad habits requires effort,[2] the weight of each exam increases over the five week period. That is, the first exam counts for 10% of your grade, the second exam for 15%, the third for 20%, the fourth for 25% and the final counts for 30%. Your semester grade will be the weighted average of your five exams, or one grade below your final exam grade, *whichever is higher*. It is theoretically possible (although yet to be empirically verified) that a student could enter the final with a 0% on the first four exams, receive an A (90%) on the final and receive a B for the course, even though the semester average would be .3(.9) = 27% (otherwise an F).

With every two days of the summer session accounting for more than a week's material during a regular semester, this course will go by rapidly. If you are taking several courses and attempting to work full time do not expect to do well in this course, unless you have a benevolent employer who allows you to embezzle time to study microeconomic theory. The production function for education requires student effort and professorial effort; while the former may substitute for the latter, the latter cannot compensate for lack of the former.

Good luck. You will need it if your strategy is to cram the night before the exam and guess on the exam.

Good fortune. You will receive it if you read the text ahead of time. Ask questions and join in class discussions. Answer only those questions where the likelihood the answer is correct is significantly higher than the likelihood that the answer is wrong.

[2] See Gary Becker, "Habits, Addictions, and Traditions," *Kyklos* 45 no.3 (1992):327-46, reprinted in Ramón Febrero and Pedro S. Schwartz, *The Essence of Becker*, Hoover Press, 1995. This will be the textbook for my ECON 402 (Topics in Microeconomics) Section 2, course this fall.

Dedication

This book is dedicated to my wife Regina and our oldest son Mike, to whom the 1983 edition of this book was dedicated. I also dedicate this book to our daughter Jennie, who is a dance major at UNLV and hopes to be a choreographer someday. Finally, I dedicate this book to the loving memory of our son John who passed away at age 24 on May 8, 2009, after a life-long battle with cystic fibrosis. John was a graduate of the University of Redlands with a major in mathematics and a minor in computer science. He was a student in the Ph. D. program in applied statistics at the University of California Riverside (from which he received his master's degree) when he learned he needed a double-lung transplant that he received July 21, 2008. If you wonder why I set such high standards for students, ask me more about my son John.