Preface

This book has its genesis in *Micro-Economic Policy* which was authored by K. Hartley and C. Tisdell and published in the 1980s by John Wiley. This previous book was widely used internationally as a textbook, and several users of it urged us to bring out a new edition. We were delighted when Edward Elgar expressed his interest in this enterprise. It took us, however, much longer to do this than expected. Furthermore, the changes turned out to be so substantial that it became evident that this book had to be regarded as a new book, even though it retains several significant features of the previous book.

Microeconomic Policy: A New Perspective has involved substantial additions to and revision of the earlier work so as to reflect changes in the direction and substance of microeconomic policy in recent decades as well as new developments in microeconomic analysis. The earlier book included policy implications of neoclassical microeconomics as well as extensions to take account of such factors as knowledge limitations, search, the costs of decision-making, principal-agent problems (features often associated with the New Institutional Economics) and aspects of the theory of games. While this emphasis has been retained and strengthened, greater consideration is given to the relevance of other approaches to microeconomic thought such as those associated with traditional institutional economics, behavioural economics and the Austrian School of Economics.

Very often microeconomic policies have to be considered from varied perspectives. For example, depending upon the policy issue being considered, different degrees and types of abstraction may be appropriate, dynamic rather than static models may be relevant, and diverse time-periods may need to be considered. Thus, different frameworks of microeconomic thought are likely to be required. While neoclassical microeconomics has its valuable uses for policy purposes, it is inappropriate for modelling all microeconomic policy issues, as will become apparent in this text. As pointed out by Joan Robinson, one usually has to adapt existing economic tools to apply these to policy formulation and to be selective in deciding on the type of economic analysis to apply. Judgement is needed because the world is complex and ever changing and consequently, ready-made solutions to policy issues are rarely available.

It is our hope that this text will make its users aware of varied perspectives on microeconomic thought, expand the range of microeconomic analysis that they can draw on in formulating and assessing microeconomic policies and above all, be an antidote to 'tunnel-vision'. Nevertheless, our text is necessarily selective, and additional perspectives can be obtained by further reading. In addition, it should be borne in mind that economic and social systems are continually undergoing change or evolution, and in time, this alters the applicability of existing microeconomic theories to policy formulation.

While the main features of the previous book (*Micro-Economic Policy*) have been retained in this book, new features have been added. For example, the new Chapter 3 is intended to enhance students' appreciation of different models of microeconomic thought and their consequences for business management and policy-making. New chapters have

been included on issues of ownership (Chapter 10) and to emphasize the relevance of microeconomics to environmental policies of global relevance (Chapter 16). There is also a chapter dealing with defence, conflict and terrorism (Chapter 17). Elsewhere, other chapters have been modified, updated or revised completely (for example Chapters 7 and 14).

In the Reading and reference lists items suitable for selective reading by students have been highlighted by an asterisk.

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