

## REVIEWS

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MICROECONOMICS, 5<sup>th</sup> ed., R. S. Pindyck and D. L. Rubinfeld, 2005,  
MATE d.o.o., Zagreb, pp 707

Review\*

This book of two American professors, R. S. Pindyck and D. L. Rubinfeld, *Microeconomics*, is a standard textbook at undergraduate level at Ivy League schools like Harvard and Princeton. The Croatian publishing firm MATE organised the translation and publication of the most recent, 5<sup>th</sup>, edition of this textbook.

It consists of 707 + xxix pages of text, divided into four parts.

*Introduction: Markets and Prices* deals with an introduction to the material, the divisions between micro- and macroeconomics, a description of the domain of microeconomics and says what will be studied in the book, giving an introduction to the analysis of supply and demand.

The second part, *Producers, Consumers and Competitive Markets*, includes the cornerstones of microeconomic analysis: an analysis of consumer and producer behaviour and the theory of production, and an analysis of a market with perfect competition. What is particularly apt is the fact that in each explanation of some concept, like *revelation of preferences*, an example is given (revelation of recreational preferences) from the contemporary world. In addition, Pindyck and Rubinfeld in their annexes after the chapter also bring in more advanced microeconomic analysis techniques (more advanced than that required for undergraduate level), such as Lagrangian multipliers. Certainly an advance on the standard material for basic microeconomic techniques is the inclusion of a chapter on risks and uncertainty side by side with basic microeconomic concepts.

*Market Structure and Competitive Strategy* explains the development of the basic microeconomic model with a discussion on various forms of market structure, from pure monopoly to oligopoly. This part also contains an additional part to do with consumer behaviour and market behaviour according to reactive and strategic behaviours, introducing elements of strategy and game theory.

*Information, Market Failure and the Role of Government* explains three topics that round off the microeconomics material. The first topic is general equilibrium, i.e., the

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universalisation of the analysis of one market to all markets, which leads to macroeconomic analysis. The second is information theory, a hot topic in the literature, redefining the main microeconomic concepts and explaining previously economically irrational decisions like “why would someone who is smart buy a lemon of a car”, which is based on the asymmetric accessibility of information, to purchaser and vendor. The third topic is the ordinary application of microeconomics in public finances, the analysis of externalities and public good.

In the annex the authors give the basics of regression, a fundamental econometric tool in research into the microeconomy.

The biggest contribution made by this textbook is its linking of standard microeconomic material with investigative and analytical techniques like regression and other econometric techniques that can be applied in microeconomic analysis. Pindyck and Rubinfeld are particularly well qualified to do so for their textbook *Econometric Models and Econometric Forecasts*, which has gone through three editions, is the standard econometric textbook in undergraduate courses at top American and other universities.

This book is meant for undergraduate and postgraduate course students, primarily in economics, but also in business studies. I would also recommend it to economic investigators because of its good correlation with econometric methods, as well as to people with applied interests, because of the many contemporary examples from practice for basic microeconomic concepts.

The material has a number of levels – the actual chapters themselves give the basic material for undergraduate level, while the annexes alongside them provide more advanced techniques that give the book a medium or postgraduate level.

In conjunction with the already issued textbooks of Mate Babić and Anne Kutsoyianis, MATE d.o.o. has with its *Microeconomics* of Pindyck and Rubinfeld single-handedly rounded off the array of microeconomics textbooks in Croatian. There can no longer be any excuse for poor knowledge of the area of microeconomics, exception in an unreformed tertiary system. We would like to encourage MATE to do something similar with econometrics literature, i.e., to have the book *Econometric Models and Econometric Forecasts* by the same authors translated as well.

*Ante Babić*