

Kurt Jechlitschka, Dieter Kirschke  
and Gerald Schwarz

# Microeconomics using Excel<sup>®</sup>

338.50285554

J348 Mi



271623

Integrating economic theory, policy analysis and  
spreadsheet modelling

**Special Indian Edition**

# Preface

This book will give readers a new look at microeconomic analysis. The focus is on integrating economic theory, policy analysis and spreadsheet modelling. The book discusses fundamental problems of price, structural and budget policies in 18 chapters. The theory behind each problem is explained and it is shown how the problem can be modelled and solved using Excel. The models, also available on the accompanying free online content, may be used as prototypes for further analyses and specific needs.

The book is targeted at students of economics and other related disciplines at universities. It may be used as a basic textbook or as a supplement for a variety of courses. The book is also useful for professionals in economic and policy analysis combining theoretical background and computer-based analysis for different questions. The models can also be used and extended for specific problems and needs.

We would like to express our gratitude to a large number of people who contributed to this book. We are, in particular, grateful to Kerstin Oertel, Sabine Plaßmann and Regina Schiffner who helped tirelessly to transform and improve our manuscript. We would also like to thank Christoph Schaefer-Kehnert and GFA Consulting Group for their interest and support. We particularly thank our families for their patience and support.

Given the new concept of the book we would be very grateful for suggestions and criticism from readers. We hope you will enjoy working with the book and your computer.

Kurt Jechlitschka, Dieter Kirschke and Gerald Schwarz  
Berlin, March 2007

# Contents

<i>Preface</i>	vii
<i>Symbols</i>	viii

<b>Introduction</b>	1
---------------------	---

## **PART I**

<b>Analysis of price policies</b>	3
1 Supply, demand and price policies	5
2 Welfare and distribution	15
3 Price policy instruments	28
4 Iso-elastic supply and demand functions	37
5 Policy formulation and trade-offs	47
6 External effects	59
7 Integrated markets	73
8 World market and third country effects	88

## **PART II**

<b>Analysis of structural policies</b>	99
9 Shifts of the supply curve	101
10 Implications of structural policies over time	111
11 Optimal structural policies	121

<b>PART III</b>	131
<b>Multi-market models</b>	
12 Interdependencies of markets	133
13 Microeconomic foundations	146
14 Formulation of a four-market model	163
15 Model framework for a 12-market model	180
<b>PART IV</b>	
<b>Budget policy and priority setting</b>	193
16 Optimisation approach	195
17 Multiple objectives	209
18 Parametric analysis	221
<i>Bibliography</i>	236
<i>Index</i>	238