

Chapter 16 deals with International Trade, and also deals with the theory of the multinational enterprise. Logically the last chapter should have come earlier (perhaps after Chapter 11), because globalization of operations is one of the ways a firm can expand and grow. In fact, while there is a discussion of economic growth, the book, does not consider why and how a firm grows and try to link this up with the process of value creation.

Thus, all in all, the book by Perman and Scouller does provide a framework in which economic theory can be fitted to illuminate some of the pressing issues in management. In spite of the fact that the authors finally succumb to the temptation of including topics for their own sake, I would heartily recommend the use of this book in business schools.

## References

Kay, John, 1993, *Foundations of Corporate Success*, Oxford University Press. Oxford.

Peteraf, M. A., 1993, The Cornerstones of Competitive Advantage : A Resource-Based View, *Strategic Management Journal*, 14.

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*Managerial Economics* by Ian Dobbs, Oxford University Press, New York, 2000, 493 pages, Price not stated.

There is nowadays a veritable flood in the market for managerial economics texts. Most of them assume little background knowledge of economics and offer the same topics at a fairly uniform level of treatment. They tend to follow, as the author aptly puts it, the American model of "slick presentation, extensive use of case studies, vignettes on prominent business leaders, economists or management gurus, along with companion study guides and workbooks." The present reviewer feels that the result has not been entirely beneficial. The model has been mostly successful in producing the

standard management student who can pass the standard modular course with a B-plus without gaining any real economic insight.

Ian Dobbs, Reader in Business Economics and finance, University of Newcastle-upon-Tyne, has attempted a departure and, in my judgement, succeeded to a considerable extent. Doing away altogether with vignettes and boxed insertions and deliberately avoiding a "chatty, informal, story-telling style" he had opted for clear exposition of theoretical concepts complemented by examples. Any departure from hard behaviour involves some risk and the author deserves praise for taking it.

In addition to the basic theory the problem of estimating demand and cost functions get detailed treatment. It is mostly in the context of estimation that case studies have been used to illustrate the techniques involved. The econometric problems that applied researchers are likely to encounter, those of simultaneous equation bias, multicollinearity or autocorrelation, are discussed with a degree of rigour and competence that is uncommon in textbooks at this level. The same may be said of the treatment of topics like the Capital Asset Pricing Model (chapter seven), the Ramsey Rule in public sector economics (chapter twenty two), Peakload Pricing (chapter twentythree) and Agency Theory in the context of transactions and information costs of efficiency (chapter twentynine).

Apart from Introduction, there are six parts under the following headings : Decision Analysis, Tools and Techniques (five chapters), Demand and Cost Analysis (five chapters), Market Structure and Theories of the Firm (five chapters), Pricing and Related Decisions (nine chapters), Regulatory Intervention (two chapters), Organisational Architecture (four chapters). The coverage is wide and the treatment remains lucid throughout. The basic mathematical techniques of optimisation, the expected utility approach to decision making under uncertainty and the main ideas of game theory are set out in part two. The exposition, though adequate, tends to be a bit too dense occasionally. This is particularly true of the chapter on games which packs a lot of material within sixteen pages. In my view the linear programme representation of constant and zero sum games could have been omitted and the discussion of mixed strategy solutions simplified. Inclusion of the basics

of statistical decision theory alongside the expected utility theory would have made chapter four richer. The problem of space could be solved by reducing that allotted to the paradoxes of Allais and Ellsberg. It must be mentioned that expected utility theory is extremely well done. Similarly, less on the finer points of nonlinear pricing and more on multinationals would have made me happier.

Overall, my impression is that this is fine book for students in the upper end of the quality scale who have a taste for rigour. And they may well be students of mainstream economics. I would not hesitate to recommend it as supplement to (say) Varian's "Intermediate Microeconomics" or any other good text for undergraduates in economics.

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