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Managerial Economics

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The Book under review claims to deal with a core subject of importance in business education. Economics cannot be taught as a subject of just 'firm relevance' or as a subject connected with business policy and governance. The treatment of the subject requires induction of the knowledge and of application to the business world. The students of business are not to be prepared as economists; they are however to be prepared as decision makers who would make firm level decisions based on endogenous and exogenous factors. The book under review has a special place in the realm of management education with special reference to Indian context. The book deserves appreciation for the conversational style of narration. The delivery of chapters is done logically and in a sequence. The book has several special features at the end of each chapter such as summary, key concepts, question, appendix and case study. The authors deserve a special praise for their painstaking efforts in crafting 'Reality Bites'. The real life situations which are reflected as detailed case studies, enable students to study the concepts through the reading of a case. The book has a value added concept to enable formal and lateral thinking by the introduction of ' think out of the box' and 'think of the box' narratives. The description given so far is sufficient to recommend the book for the students of MBA programme in India.

The book consists of six parts, that together include seventeen chapters ,which links up Micro and Macro economics. It also links up the firms with the economy. The book on the whole ends up with analysis of business cycles with a touch on vicissitudes of business.

The First chapter introduces basic concept of Microeconomics as applied to managerial situations. The assumptions, types, decision modes and principles of economics are covered in an elegant style. While covering principles of economics,the focus of the chapter is more on the demand side economics. The authors could consider adding a note on the supply side situations. This will enable a student to think about dealing with situation of abundance rather than just dealing with scarcity.

The second chapter deals with a brief back ground of 'the theory of firm'. The chapter should be read after reading the case on 'Dabur India Ltd…..'. The objectives of the firm coupled with theories of the firm will cover what is required for understanding objectives and goals of a firm. The organizational chart on page (pp 32) might be extended to firms in the III Sector such as NGOs, Co-operatives and so on. In the Indian context the III Sector is emerging at the micro level to provide goods and services. A Reality Bite on this would enrich Chapter 2.

The Part II of the book begins with demand and supply analysis. The highlight of the Chapter(3) is again the case wherein is scarcity of power across the country is highlighted. The economic agents are striving hard to meet with the consumer demand. An appropriate case followed by application of concept on demand and supply has made this chapter quite acceptable to the readers.

The Chapter 4 deals with consumer preference behavior and the choices. The basic theories connected with consumer have been enumerated well. A note on the assessment of consumer choice would enrich this chapter. The economists, of late, have been concerned with assessing 'consumer happiness' as against 'consumer satisfaction'. An additional note on assessing consumer happiness would help the reader to have sound knowledge of consumer behavior. This would surely help students to understand and capture irrational aspects of consumer behavior.

The concept of elasticity has been discussed with a special note on elasticity of supply. The concept of elasticity aids in making pricing decisions at the market level. A note on rewards and government policies has added value to this chapter.

Forecasting (Chapter 6) of any variable is as important as making an effective strategic action plan. The authors have given the practical attention to forecasting methods. The case in IT industry appears incomplete. This can be updated and the student can be given some more Questions(Posers) in forecasting which are discussed in the chapter.

The Part III of the book deals with production and cost theories. The basic concept of production function(Chapter7) with –one & two-variable inputs have been enumerated with masterly ease on the subject. This chapter gives details of different types of production functions. An explanation of the application there production function would help enrich student knowledge. Some practical cases of estimation of production functions at the firm level can be introduced(preferably one case each from the agricultural , industrial & services sectors).

The cost concepts(Chapter8) have been discussed by taking to account types, time and linkages. These are very essential for a beginner to apply them in real life situations. A detailed note on uncontrollable costs, with examples from business situations, is desirable. The highlight of the chapter is the introduction of the economy of scope and the relation between costs and learning curves. The authors deserve a special kudos for introducing the learning curve concept.

The Part IV of the book covers market nuances such as structure, type, uncertainty and application of game theory to market functioning. Any student of finance would love to read these chapters. The Chapter 9 begins with 'perfect competition'. The demand and supply concepts are linked to market equilibrium and profit. This makes this chapter unique in its description. This chapter begins with an idealistic and an optimistic note. The case on Indian Stock Market at the end of chapter succinctly summarizes the meaning of perfect competition.

Monopoly is discussed at great length(Chapter 10). The concept has unfolded different phases of monopoly and its implication on economic efficiency. The appendix at the end of the chapter gives a short view of the concept of "Monopoly Power."

The imperfectness (Chapter 11)in the market has been discussed with great relevance with prices and output. The situations under different types of profit give a comparative static picture of monopolistic competition. The Nirma story is a good example to make students feel of monopolistic competition. The case ends as a success story of an Indian company under an imperfect competition.

The concept of oligopoly (Chapter 12) has been theoretically presented well. The models of oligopoly as also a note on price leadership have been of help to students. The case of Indian cement industry may not appropriately represent the oligopoly situation. This case study may be re-written with an introduction of description on measures of oligopoly.

The Chapter 13 introduces the functions of a market under uncertainty in a game theoretic framework.

The concept of game theory, the Nash equilibrium , prisoners' dilemma and different types of games have been enumerated well. A simple introduction on market entry game is sufficient for a student to feel decision making under uncertainty.

The Part V of the book discusses domains of pricing – product and input. The product pricing(Chapter14) has been introduced to the reader with a clear focus on application. The linking up of pricing with the organizational objectives, competition, product life cycle and with relevance to operations of business cycle is done with great mastery. The subject chapter in multi product pricing, however, requires some more examples to be documented. The note on Ramsey (not Ramsay) pricing is a case in point. The chapter on input pricing(Chapter15) covers wage, rent, interest in the perspective of economic theory. This chapter is useful to the students in making decisions on pricing of inventories. The chapter, however, poses a question on how pricing methods can be evolved under business situations. Some clarity is necessary on pricing of inputs. An integrated case may help explain these concepts better.

The Part VI of the book concentrates on introduction of macro economics. The concepts such as National Income, money supply and inflation and business cycle have been covered. The chapter(16) on National Income is written with rigour. The authors have not lost sight of application of these concepts. The difficulty in the estimation of national income and its limitations have been described well. The authors aim to convince the reader as to how National Income statistics can be used and what limitations surround national income estimates.

The chapter(17) on Money Supply and Inflation is described in the same rigour & style as that of national income. The demand for & supply of money and types of inflation and its causes and how the economic agents have to deal with demand market under inflation have been dealt well . The measures to be taken in controlling inflation have been described in an appropriate manner. The highlight of the chapter is the Appendix – Money Supply Measures in India.

The chapter(18) on business cycles aims to convince the reader on the effect of cycles on growth and on business at the firm level. The case in IT industry appears relevant. The case,however, fails to describe the operation of business cycle and its effect on the sector and on the firms. A second write up on IT industry growth is desirable. Having reviewed this pleasant book, it is essential to highlight some essential additions which may make the book more comprehensive. The 'Reality Bite' may be supplemented by a little longer 'Reality Snacks'. The reality snacks are already, however, represented by many cases at the end of each chapter.

An addition of integrated case at the end of each part of the book may prove more useful to the students and the practitioners of business. This end of the part cases can be termed as 'Reality Food' – essentially weaving integrated cases from India.

It is suggested that a note on Okun's Law and Philip's Curve can be given at the end of chapter 16. Another chapter in IS-LM analysis & concept of general equilibrium can be introduced. The book suffers from Bibliography and Webliography, although References & Indexes are given at the end. A detailed list of books on managerial economics can be given as Bibliography. The Webliography should be given at the end of the book with date and time of retrieval . The reviewer has had the pleasure of reading the book. He has appreciated the efforts the authors in writing a book on Managerial Economics in the Indian context. The authors and the publisher deserve special thanks from the scholars, students and the general readers.