

### **Fundamentals of Managerial Economics**

JULIAN GOUGH and STEPHEN HILL

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It becomes increasingly clear, on reading this book, that the relationship between O.R. and managerial economics is a strong one. Both are concerned, to some degree, with decision-making under uncertainty and it is perhaps the discussion of uncertainty allied to traditional economic theory that is the most attractive quality of the text.

The theory is clearly and intelligently presented with the emphasis placed, as often as possible, on its relevance to practical management. The topics covered are numerous: starting with marginal analysis and elementary decision theory, proceeding through the concepts of profit and managerial objectives, market structure, competition, demand analysis, production and costs to particular decision areas such as advertising, pricing, multi-product firms (including an introduction to linear programming), investment and inventories. The discussion of profit, in particular the difference in view taken by the accountant and the economist (one could substitute O.R. practitioner), was unusual and interesting. On the other hand the section on utility will, I think, do little to convince the decision-taker of its practical value.

For a text-book purporting to cover the fundamentals of a subject it is surprising, firstly, that a fairly advanced level is reached on several topics and, secondly, how readable it is. The notes on each chapter are very useful as are the up-to-date and varied, though not overwhelming, references.

The aim of the authors was "to provide a clear, rigorous and comprehensive text on managerial economics". Though they have gone a long way towards achieving this, I am sure they would agree that there is still much to be done in this field. But at least a significant step has been taken in the right direction. Their target readership which includes students, managers, businessmen and all decision-takers where economic factors are important, is well-intentioned though perhaps optimistic. It should certainly be useful to all those groups but I would principally recommend it to organisers of courses in economics and operational research.

Lastly, although little previous knowledge of economics or mathematics is required for a general appreciation of the book, there are some sections which, for many, might have to be omitted, though not enough to detract from its overall usefulness.

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