

BOOK REVIEW

Richard B. McKenzie and Dwight R. Lee, *Microeconomics for MBAs. The Economic Way of Thinking for Managers*, Cambridge University Press, Cambridge, 2006. 689 p. GBP 45.00 (USD 80.00) (ISBN 0 521 859816 HB)

In order to fully appreciate this book you might have to be part of the target group mentioned in its title, but if you are, this textbook is likely to secure a special place on your shelf. Whether you are an economist with interests in management or a manager interested in the microeconomic foundations of business, McKenzie and Lee succeed to combine both poles into what they call the “economic way of thinking for managers”. Their approach is as simple as it is compelling. As most economics professors lack the hands-on experience to teach the *doing* of business, the authors of this book focus on the development of methods to *think through* typical business problems in a more abstract, albeit accessible and practical way. The book not only convinces the reader of the relevance of economic principles in the real world of business, it does so by strictly favoring intuitive and logical explanations over mathematical treatment (often relegated to the appendix). To this end the authors cut each chapter in half: the first part presents basic theory and public policy applications, while part two focuses on relevant management issues within the topic. McKenzie and Lee stick to this structure of theory and practice in each of the book’s 15 chapters, covering a significantly greater range of topics than most traditional microeconomic textbooks. These topics include first mover advantage, the innovator’s dilemma, management snooping on employees, debt as a constraint on executives, and the market for corporate control. Additionally, in each chapter the book puts special emphasis on practical issues in organizational economics, i.e. the analysis of the organizational and financial structure of the firm.

McKenzie and Lee’s writing is straightforward and clear. Text boxes highlight crucial definitions, concluding sections provide review questions and list ‘key take-aways’, ‘perspectives’ sections offer new lines of argument or slightly different policy or business views for additional discussion. The first three chapters explain the absolute essentials of microeconomic thinking, including supply, demand, market equilibrium, property rights, competition, efficiency, and the principles of rational behavior. This is followed by chapters on the logic of group behavior, reasons for the existence of the firm, as well as government controls and how they affect management incentives. Subsequently, the authors explain consumer choice and demand in traditional and in network markets, production costs and business decisions in the short run and long run, monopoly power and pricing decisions, firm production under idealized competitive conditions, as well as firm strategy in imperfect markets. In the last three chapters McKenzie and Lee put the spotlight on labor market issues, problems in collective decisions making, and international trade and finance.

Despite this wide coverage, the authors succeed to highlight the practical value of economic principles to managers and to avoid any clutter that does not serve this purpose. The authors are well aware that MBA students do not come back to school to become economic theorists. Although the pronounced intention of this book is to help MBA students to achieve their career objectives, the target group may well be larger than claimed in the title. In fact, large parts of the textbook are also recommendable for introductory undergraduate courses in microeconomics, strategic management, and/or organization.

However, having said this and despite all the praise, one minor drawback of the book is that it offers only limited teaching support material. An accompanying CD-ROM contains lengthy 'prompter-read' video comments of the authors, and the web site offers the graphs from the book as slides and some additional puzzles (but no test bank or instructors manuals). In short, the quality and especially the range of this material does neither match the teaching support of comparable textbooks nor meet the high standard set by the book itself. But then again, this is the first edition and it will probably not be the last.

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