

The Economic Theory of Organization and the Firm. By RICHARD M. CYERT. Harvester Wheatsheaf, Brighton. 1988. xv+248 pp. £28.50.

The basic model I have of library budgeting suggests that, given its title and author, this book will be widely purchased. The title is rather misleading, for what we are offered is not a broad account of economic theories of the firm but a selection of the author's publications on the behavioural theory. Nevertheless the book is a fascinating introduction to the range and evolution of Richard Cyert's academic work over the period 1955-83.

The fourteen papers are classified by theme, in five categories. Part I contains empirical studies, including some of the author's earliest work with Herbert Simon on the description of processes actually used in business decision-making. Part II starts with the well-known survey article co-authored by Charles Hedrick (*Journal of Economic Literature* 1972), then deals with the role of behavioural rules in building a theory of decisions. Part III has three papers written jointly with James March, relating the behavioural approach to organization theory. Part IV illustrates Cyert's work with Kalman Cohen, using simulation to obtain predictions from behavioural models. Finally, Part V contains the book's most recent papers (1978 and 1983), which make some assessment of behavioural theory in a more philosophical context. Here Cyert makes clear his belief that a behavioural approach is essential if economics is to be an empirical science. Simon again is co-author of one of these articles, reflecting his influence throughout Cyert's academic work.

Modern students of industrial organization are likely to respond well to some of the essential messages from this collection, at least when compared with their predecessors in days when structure-conduct-performance was king, i.e. at the time most of these papers were first published. One reason is that the need for careful empirical work on a case-by-case basis is recognizable in other recent approaches to the economics of the firm; another is that familiarity with computerized business games is widespread in management schools, which now are the largest and most dynamic market for ideas on industrial organization. For such reasons this is a well timed book. It is doubtful, however, that the economics profession is more likely than before to embrace a behavioural approach, largely because of limitations in its ingrained programmes of training. This personal evaluation suggests the existence of a gap in the market, which perhaps will be filled by expansion from one or more of the other social sciences.

I have a number of criticisms of the book, only one of significance. This is the omission of any paper written after 1983. There is a short (five-page) preface written by the author in 1988, but it does little more than give some personal background. As a consequence, the reader is deprived not only of knowing whether any important developments have taken place in the behavioural programme in the 1980s, but also of a perspective of the approach in relation to other recent developments in economics of the firm. Beyond this, I was a little disappointed that the book did not, as promised in the jacket notes, discuss the 'stimulation' methodology for industrial economics, but I await developments eagerly.

This book is testimony to Richard Cyert's tenacity in contributing to a behavioural approach to the firm, and also to his ability to integrate the traditional interests of an economist with methods of study more commonly found in other social sciences. I hope his example inspires others.

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TONY MCGUINNESS

Cournot Oligopoly: Characterizations and Applications. Edited by A. F. DAUGHETY. Cambridge University Press. 1988. 440 pp. £32.50.

This book contains 19 already published papers on Cournot oligopoly and related issues, and a new 'Introduction, Purpose, and Overview' by the Editor. The first three papers are by Cournot (Chapter 7 of his *Researches*), Bertrand and Nash (non-cooperative games). The publication of a good translation of Bertrand is clearly a great boon. The other 16 papers constitute a selection of work spanning the last decade or

so, grouped under several headings. While the selection is inevitably idiosyncratic (reflecting the editor's taste and, no doubt, the relative cost of permission to reprint from journals), it does include several of the seminal papers of the period. Since most of the papers are well known, there is no need for me to comment on them individually.

The topics that are well covered include the existence of equilibria (Novshek), the competitive limit of Cournot equilibria (Novshek and Sonnenschein), price-quantity issues (Kreps and Scheinkman, Klemperer and Meyer), information transmission (Gal-Or, Palfrey, Vives). Other issues covered include the incentives to merger (Salant *et al.*), delegation (Vickers), repeated/super-games (Radner, Friedman) and consistent conjectures.

Given that the book aims to cover the applications of the Cournot model, it is surprising that there are no papers representing the literature on strategic investment and precommitment, either from the IO literature or from the trade policy literature (e.g. Brander and Spencer). Also, there are no papers representing state-of-the-art analysis of finite/infinite horizon repeated games—in particular, none of the more recent work on folk theorems, etc. This is a very serious omission. The papers covering consistent conjectures are a rather biased sample.

The only original material in the volume is the introduction by the editor. This is a little disappointing. It falls between giving a textbook treatment and being a survey. I also found Daughety's use of the prefix 'Cournot' to mean 'Nash' a little annoying, so that the now standard 'Cournot-Nash' and 'Bertrand-Nash' become 'Cournot-in-quantities' and 'Cournot-in-prices', respectively. This is potentially confusing and contradicts current usage, which distinguishes the equilibrium concept from the choice of strategy. This is not to belittle Cournot's contribution, which was to employ the Nash-equilibrium concept for perhaps the first time in economics.

At its current hardback price, it is hard to see why anyone should buy this volume, since it contains no substantial new material. However, if it were published as a competitively priced paperback, it would be a handy volume for the student of IO or oligopoly.

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HUW DIXON

The Performance of the British Economy. Edited by R. DORNBUSCH and R. LAYARD. Clarendon Press, Oxford. 1988. 271 pp. £27.50. Paperback, £9.95.

This book contains seven chapters prepared by leading economists in the field who between them provide an instructive and comprehensive account of economic policy and the impact of significant events on the evolution of the British economy over the period from 1970 to early 1986. The analysis is 'high tech' and might prove hard going for students before their third year, by which time, however, they will certainly find it most rewarding. Events in the ensuing years since the chapter drafts were packed off to the printer have not significantly damaged the accounts given here, though I note below where such events might have caused the authors to supply a different emphasis or where they provide reinforcement.

The first chapter in the book is by Stan Fischer who deals with monetary policy. He notes that, despite the rhetoric, 'British policy thinking is far from monetarism in the US sense.' He has in view that the interest rate is seen as the central instrument of policy rather than any quantity variable. The evolution of policy since 1986 soundly confirms this judgment. Changes in monetary policy are signalled nowadays by statements like 'On a signal from the Chancellor, banks raised their base rates today by $\frac{1}{2}$ per cent.' Fischer does not have the scope to note to what an extent this is a reversion to the practices of the 1960s and a contradiction of the attempts in the early 1980s to reduce the dominance of the authorities in setting interest rates. Perhaps his view is that this attempt was doomed from the start, given the authorities' proclivities and the fact that they had rejected monetary base control, a rejection that he believes to have been ill-founded. Fischer includes a brief but perceptive treatment of the case for joining the EMS, written ahead of the 1987/8 experiment in 'shadowing the DM'. The chapter as a whole is longer on perceptive analytical assessment than it is on detailed accounts of factual developments, a reasonable response to comparative advantage,