

Book Review

Principles of microeconomics: An integrative approach. By Martin Kolmar. Cham, Switzerland: Springer, 2017; 338pp.: ISBN: 978-3-319-57588-9, ISBN: 978-3-319-57589-6 (eBook)

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Background and summary of the book

Principles of Microeconomics by Martin Kolmer is an economic book focusing on microeconomics that contributes to understanding the modern economy with an insight into economic theories linked with emerging social science and cultural issues. The current economy is driven by the digital era that has affected market forces and new research opportunities. In this regard, world economic issues such as comparative advantages, economic growth, price discrimination, and labour issues need to be explored (Donepudi et al., 2020; Murdock, 2020). Therefore, the book is a guiding resource for scholars engaged in economic issues. The book has fourteen (14) chapters, chapter 1 deals with introduction to economics, its scope and definitions. Describing the concept of opportunity cost in this chapter, author argues that individuals' opportunity cost may also be irrational. The argument considers a behaviour like volunteering may substitute employment for the same job with effective use of money allocated to that job. Therefore, effective altruism is required. Chapter 2 (p. 25) discusses the theory of comparative advantage as a robust to the laws governing production. Chapter 3 covers market, market structure and contract law that support market institutions (Elsner et al., 2015: 49–53).

Chapter 4 analyse the competitive market under the theories of supply and demand with inclusion of factors such as price of good, quantity, customers' income (wealth), taste (preferences), resources for inputs, changes in technology and expectations (Berry and Haile, 2021). The author explores the interrelationship of these factors; however, there is a rare discussion given on how changes in taxes, regulations, employment and production could affect demand and supply. Chapter 5 and 6 emphasises the performance of market coordination in various economic activities with the influence of the institution's role. In this chapter, Pareto efficiency was

the main discussion elaborated as the first theorem of welfare economics (pp. 83–97).

Chapter 7 discusses consumer behaviour, axioms with respective assumptions. Regarding this chapter, choices influence a firm's decisions for a given cost analysis using substitution effects and indifference curves. Different costs and analyses were described in chapter 8 using the Cost treatment approach (p. 188). Chapter 9 elaborates on profit maximisation based on the supply behaviour of a firm, application of marginal and average cost functions. Several graphical representations were used to show a relationship between costs, revenue and marginal costs (Syverson, 2019).

The monopolistic market behaviour of a firm has been discussed in chapter 10 with an in-depth clarification of price discrimination as an essential tool. The main argument is on brands are important for customers in a monopolistic market structure to increase competition in an economy. Meanwhile, chapter 11 is a game theory discussion. Chapter 12 elaborates different strategies to maximise utility with a description of the Cournot duopoly and Bertrand model (Elsner et al., 2015). However, the two models are the tip of the iceberg of the oligopolistic market behaviour models developed over the years.

Chapter 13 presents a case study about the Aviation industry with a detailed discussion on the grounding of Swissair (p. 303). The author aimed to link different theories for the reader to understand complex economic and social issues. However, the author agreed it was challenging to have one sufficient case study that brings together the complexity of all economic issues related with scientific theories. Chapter 14 intricate mathematical linear functions to meet this relationship with a detailed discussion on price elasticities.

Book contribution and the reviewer concerns

Reviewing this book made a foundation of economics for those who take it as a major course and for novel understanding. The book is unique in term of contributions to other fields by applying economic methodology from different economic theories. For example, as a means to understand scarcity in economics, the author combined economics with the concept of evolution in biology (p. 9). While in psychology, utility measures as applied in economics usually change with consideration of the state of the mental mind. In this ground, a utility function measures hedonic pleasure (higher utility = more (pleasure minus pain)). Detailed

contribution is on the importance of economics in the *accounting system* concerning financial reporting and financial management.

With regard to the importance of applied economics, therefore, one cannot separate economics, business and management. Likewise, the author combined the concept in economic theories and its applications to contribute to these theories in other fields. Using these theories, the relationship between management and economics was explored with contexts and implications on market structure and industries, thus providing a clear linkage between economics and business administration (Daft, 2008).

With the given contribution, there are weaknesses, which include missing exercises at the end of each chapter, among others. Exercise usefulness to students and instructors at colleges or universities remains inadequate because of the gap that should be covered by providing exercise questions to enhance understanding of the subject matter. This book elaborates on Ostrom's principles for managing commons. However, detailed understanding of this context belong to new institutional economics where the main focus is market and rationality, which the author admitted that it was beyond the book's scope. Based on Ostrom's findings (p. 136), there is a further debate on common goods could be applied in institutional governance. Notwithstanding the book's prominent contribution, chapter 4 has failed to provide rigorous discussion on demand and supply factors such as tax, interest rates and regulations. The author has to explain how the modern economy is driven by different taxation approaches that affect consumers and producers. Reserve banks have also experienced fast economic growth; thus, other monetary policies have been issued, which include the change of interest rates associated with various regulations in different sectors.

Conclusion and recommendations

Decisively, this book has a vital contribution to the reader's understanding of economics and its theories. The knowledge contained has a linkage with decision-making in other related fields such as management, finance and marketing. Therefore, since economics knowledge is in high demand, users

can keep using the reviewed microeconomics. Further, emerging issues need critical analysis with an understanding of variables from different economic theories, as explored in this book. It is additionally recommended that there should be review questions and answers at the end of each chapter. The inclusion of institutional economics is also vital to understanding the management common goods at the individual level. Finally, in the next edition of this book, factors such as tax, interest rates, and regulations should also be discussed in demand, supply and consumer behaviour topics.

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