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SAMUELSON, LARRY (ed.): *Microeconomic Theory* (Recent Economic Thought Series), Boston/Dordrecht/Lancaster: Kluwer-Nijhoff 1986. 278 pp. Dfl. 135.00, $39.95, £27.25.

Has microeconomics missed the KUHNian revolution that drastically altered the face of macroeconomics over the past ten years? This volume on microeconomic theory edited by LARRY SAMUELSON will definitely put such speculations to rest. For better or for worse, both macro and micro theories have recently attained the mathematical rigor of the standard applied mathematics. This book is a testimony of the rigor in the microeconomic theory literature. The purpose of the collection of essays is stated clearly by the editor '[This book] can be described as a critical introduction to selected topics in microeconomic theory' (p. x).

This collection brings together a number of issues in microeconomic theory which are seen to be crucial by a group of (mostly young, ten out of the thirteen contributors obtained their Ph. D.'s in the last ten years) economic theorists. All but one contribution are surveys of the relevant literature.

FISHBURN (chapter 2) offers alternatives to expected utility theory for risky decisions. He focusses on two types of violations of the expected utility theory axioms commonly found in actual choices. First, he discusses some aspects of violation of transitivity of preferences. There seems to be more systematic violation of the so called 'independence axiom'. Independence axiom asserts that if a bundle A is chosen over another bundle B, then by adding another bundle C to both A and B in the form of lotteries should preserve the ordering. Experimental psychologists and decision theorists have shown that actual choices routinely violate this axiom. FISHBURN offers the so called 'SSB Theory' which accomodate both of these violations. The main problem with the new theory is that it lacks the useful notion of measures of risk aversion.

GOERING (chapter 3) offers a succint introduction to the theory of consumer learning and optimal pricing strategies (of the firms) when the quality of a (durable) product is unknown (to the consumers). In sharp contrast with the rational expectations literature, in GOERING's model, learning about prices take place in 'real' time. She shows that a profit maximizing firm (over time) has an incentive to set the initial price low (high) if the average quality of the product is high (low) when the product quality is private information of the consumers.

BLAIR and POLLAK (chapter 4) provides an overview of the theory of social choice literature integrating some recent work of the political scientists. In this connection, the transitivity of *social* choice becomes the subject of scrutiny. The paper becomes very sketchy at times (to the point of carelessness, for example, the reference of Wilson [1972] in endnote 6 is missing).

BANDYOPADHYAY (chapter 5) on the other hand, gives a more complete account of the paradoxes in the theory of social choice. He summarizes the literature arguing that 'as long as the decision procedures are based only on the utility information of the individuals, there is no resolution of paradoxes in social choice theory' (p. 115).

ROB (chapter 6) discusses the so called demand revealing mechanism literature in connection with public goods. He discusses the classical 'CLARK-GROVE' type mechanisms as well as more modern versions. The next chapter by CHANDER studies mechanisms which produce PARETO optimal and individually rational allocations with public goods. This type of mechanism is commonly known as the MDP (after MALINVAUD, DRÈZE and DE LA VALLÉE POUSSIN process. He shows that the MDP process is informationally the maximally efficient mechanism among a certain class of resource allocation mechanisms. This is the only paper in the book which does not provide a review of the literature.

CHATTERJI (chapter 8) brings in the impact of the theory of bargaining (from the game theory) in microeconomics. He illustrates the limitations of the two agent bargaining model with nonstrategic behavior under complete information.

SILVESTRE (chapter 9) introduces the reader to fix-price microeconomics. Curiously, the main idea of trading outside of an equilibrium, the hallmark of fix-price models, have not gained much popularity in the United States. But these models are enormously popular among European economists. The ad-hoc models of MALINVAUD and HAHN have recently been replaced by models with more sophisticated justifications of out-of-the-equilibrium trading in the form of external asymmetric shocks to the market.

The final three chapters shift the gear and discuss the institutionalist view of microeconomic theory. ICKES (chapter 10) discusses the effects of incentives in different economic environments. He shows how the study of incentives have enhanced our understanding of economic systems. MIROWSKI (chapter 11) discusses institutions as a solution concept in a game theoretic context. He shows the critique of neoclassical economics by earlier institutionalists like VEBLEN, COMMONS, and MITCHELL are similar to those of recent game theorists like SHUBIK and SCHOTTER. More specifically, he argues that both the classical and modern critique tend to view institutions as informational devices that supplement the informational content of economic systems when competitive prices do not carry sufficient information to totally decentralized economic activities. HENNING (chapter 13) briefly traces the history of microeconomics.

Notable topics in microeconomics not discussed in the book are (a) rational expectations models (RADNER-JORDAN); (b) signalling models (SPENCE); (c) asymmetric information-transactions cost model (ROTHSCHILD-STIGLITZ-WILSON). A reader familiar with mathematical economics will find the *Handbook of Mathematical Economics* (edited by K. ARROW and M. INTRILLIGATOR, 3 volumes) to contain more in depth discussion on most of the topics discussed in this book. The main novelty of this volume lies in its emphasis on institutional economics. This book will be useful to theoretical researchers who are mathematically well equipped but not familiar with the literature discussed in this book.

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