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Book Reviews

Product Development in Australia; Marketing Decision Making; Management Control in Marketing; The Marketing Audit, J. Sutcliffe. Melbourne: Hutchinson of Australia, 1975, (*The P.A. Australian Management Series*). Pp. 64; 95; 96; 79 respectively. \$4.75 each (R.R.P.).

These four books are the first of *The P.A. Australian Management Series*. The series, edited by Anne Lampe, offers a practical summary of current thought and techniques in specific areas of business management. All four books were written by John Sutcliffe.

Product Development in Australia is in three sections. Initially the major product development concepts are outlined. Practices such as the planning and management of product development, and evaluation and development strategies for new products are discussed. The second section examines product development in the Australian context. Much of this is based on a survey of nineteen Australian companies and gives an interesting insight into local development programmes. The implications drawn from this descriptive section are unfortunately fairly general. The appendices contain a list of journals which feature new product information. As many new products in Australia are based on overseas ideas this list is quite useful. An outline of the Australian Industrial Research and Development Grants Scheme, although now superseded by the Industrial and Research Incentives Act, 1976, draws attention to the fact that R and D incentives are available.

In *Marketing Decision Making*, the author discusses the decision making process with emphasis on the need for management to fully utilize available information to "rationalize" marketing decisions. Two types of decision making processes are studied—allocation-type decisions where resources are divided between alternative uses; and decisions between mutually exclusive alternatives (Bayesian decision making). The book examines the procedures and underlying assumptions of the various statistical techniques available to utilize marketing information. Appendices give further details on probability, factor analysis and Bayesian decision making.

Management Control in Marketing presents a good general summary of management principles. This begins with broad behavioural aspects (motivation, *etc.*), progresses to control in the business management context, and finally relates management control to the marketing approach to business operations. The emphasis throughout is on the dual nature of effective management control—the analytical techniques and skills and, equally important, the behavioural aspects of managerial "style". It is important to note that this book concerns management control in a market-oriented organization—marketing management in the sense of sales force motivation, product decisions, *etc.*, is not specifically dealt with. The appendices contain check-lists of practical means of improving marketing operations, and the information inputs necessary for proper management control.

The Marketing Audit emphasizes the real need by management for the information emanating from a regular audit of marketing operations. The rationale behind marketing audits, the information and appraisal elements in auditing and the relationship of the marketing audit to overall business planning are outlined. A second section runs through a practical example of a marketing audit describing a systematic procedure for determining objectives, selecting

and examining areas of importance and, finally, making appraisals and recommendations. The timing of the audit and the selection of the auditors is also briefly covered.

These four slim paperbacks are primarily a summary of current knowledge in business management related to marketing, and marketing management. The series would be useful to executives who desire a broad outline of basic techniques relevant to those areas, although the books lack the depth necessary for detailed study or implementation of the concepts introduced. The appendices in all books contain a comprehensive list of references. Overall, the emphasis in these books is on the principles of practical management. Charts and point format succinctly convey a large amount of information. These books could be recommended as a good precis of techniques applicable to specific areas of marketing management.

M. A. GRAHAM

Department of Agriculture, Sydney

The Humane Technologist, D. S. Davies, T. L. Banfield and R. J. Sheahan. London: Oxford University Press, 1976. Pp. viii, 180. \$13.95 (R.R.P.).

This book propounds the use of modelling for examining technological problems. It models technological systems without losing sight of the human element, an often-neglected feature of technological research.

The book contains very broad subject matter, and the authors have leaned towards readability at the expense of rigour. Consequently it should be of general interest to a wide range of readers including economists, environmentalists, conservationists, industrialists, administrators as well as technologists.

The Humane Technologist is well structured, with chapters 2 and 3 describing the problems, nature and growth pattern of technology. Historical attitudes to the development of technology are traced from the period where initial benefits were unquestioned, to the present day when the harmful side effects tend to be emphasized.

When discussing the future growth patterns of technology, the authors take a middle-of-the-road approach between that of the "technology optimists", who believe the adaptive capabilities of technology are sufficient to deal with all constraints, and "technological pessimists" who see serious economic problems arising in the future, partly because they ignore the existence of substitutes in both production and consumption. The authors believe the human element is the key to the future; they see population control succeeding, and believe that human behaviour patterns will change, resulting in status being dissociated from wealth and ownership, thus allowing massive economies in the use of scarce resources like energy.

Chapter 4 introduces modelling without rigour, illustrating it by the use of simple examples. Typical models they examine include linear programming, investment models, propaganda and manpower models. While brief mention is made of the hazards of modelling, perhaps this section could have been expanded and backed by better examples.

The strength of the book lies in chapters 5 to 8. The modelling approach is applied to a number of constraints (*e.g.*, resources, finance, human factors, the environment), present trends are analysed, and future policy options discussed. Chapter 5, concerning natural resources and energy, is the highlight of the book. Emotive “analysis” is avoided, and the world’s natural resources are divided into inorganic, fossil, and renewable forms. The myth of the resources exhaustion model is exposed, through showing that changes in prices, reflecting supply scarcity and substitution, will lead to new methods of production.

Energy models are discussed in detail, as energy is regarded as the first limiting resource. The authors argue that, as hydrocarbons become scarce, extraction costs of progressively poorer sources of energy will rise, and substitutes such as fusion power, solar energy, and agriculture (*e.g.*, methanol production) will become profitable. Wasteful energy using practices will be curtailed. An interesting model is used for illustration: a “low temperature world” where it is illegal to generate or use temperatures above 300° C. Present day uses of heat are discussed, and a substitute system of economic organization with vast energy savings is presented.

With the facts presented and analysed, the authors’ conclusion on natural resources for the future is: “all present human needs can be met by materials in permanently plentiful supply provided the necessary energy can be found and paid for, and the plant capital paid for”.

Further, the approach on recycling is refreshing and original, for example “recycling consumes the scarcest of the natural resources, namely energy, which is required for collection, sorting and cleaning a recycled object. Hence it by no means follows that the multiple recycled use of Material A is more economic in energy than the once-through use of a less energy-intensive Material B”.

The authors describe without detail alternative political systems for handling future resource problems. Due to the better record of innovation, bolstered up with the use of models, the mixed economy is preferred.

Chapters 6, 7 and 8 deal with the constraints of capital and finance, the human behavioural element, and the environment. The first, which makes interesting reading, touches on topics such as investment trends as they relate to declining confidence for investment, changing consumption patterns, inflation and entrance costs. With regard to the behavioural component, the chapter reinforces points already made on how the technologist has disregarded this area in the past. Analysis proceeds to the stage of considering a complicated social system comprised of small power groups, created through specialization. The chapter on the environment warrants little further comment, it stresses that the modelling method creates a perception common to all analysts and thus generates co-operation in such areas as pollution control.

The final chapter is very idealistic. In the system envisaged, technologists are required to widen their responsibilities to become experts in all fields—a clear impossibility given restraints on human abilities. However, the theme for the use of modelling by technologists when evaluating resource constraints is reinforced: “A timely recognition of the arrival of constraint creates discomfort and hard work on new problems. But this is greatly preferable to the cruelty ultimately and inevitably required by way of correction, if there is a somnambulistic, cynical, or misguided overshoot”. In this modelling approach, which is not new to economists, the whole spectrum of problems must be understood as creating implications for education—especially between disciplines.

In summary, the weakness of the book is the lack of depth and rigour. Alternative publications, such as those produced for/by the Club of Rome on topics such as pollution, are not considered in the chapter on the environment—an omission. Additionally, topics such as population control—a central issue—require further elaboration relating to the problems and likelihood of success of current control programmes on a world wide basis. The issues raised in the chapter on the need for capital investment to introduce new technology, and the current trend towards consumption and away from investment, may be vital for the mixed economy, and demand deeper analysis. This section requires further elaboration. At the same time, the book is an excellent introduction to the topic, disclosing all the major issues in a very readable, unbiased manner. References for further reading are up-to-date, and to my knowledge no other book has attempted to cover the whole field in such a readable and rational form.

T. L. C. REILLY

Department of Agriculture, Wagga Wagga

The Age of Uncertainty, J. K. Galbraith. Richmond (Vic.): Hutchinson (Australia) Pty Ltd, 1977. Pp. 366. \$A19.50.

The Age of Uncertainty provides a kaleidoscope of economic and political history and examines industrial society as it has developed over the past two hundred years. Has the momentum of the Industrial Revolution slowed down? What are the reasons for the current stagnation of the developed market economies? Why is there an enormous gap between wealthy nations on one hand and poor countries on the other? What is the future for industrial society?

The first segment of the book considers three major economists and the systems associated with them: Adam Smith and capitalism, Karl Marx and communism and J. M. Keynes and the mixed economy.

Adam Smith first formulated the basic concepts of economics in the *Wealth of Nations* (1776), espousing the cause of “laissez faire”. After discussing this, Galbraith turns to Malthus and Ricardo, especially the latter’s labour theory of value, which subsequently became the cornerstone of Marx’s economic analysis. Galbraith proceeds with the “Manners and Morals of High Capitalism” dealing with the great 19th century American industrialists, some of whom, he alleges, amassed substantial fortunes by questionable means. He advances these claims by reference to the American railroad industry, where the “Erie Gang” of Fisk, Gould and Drew, acquired “fly-by-night” fortunes through fraud. Other important capitalists such as Vanderbilt, Rockefeller, Carnegie, Mellon, Guggenheimer and Morgan are included in the list of distinguished “predators”.

Galbraith then develops with an essentially biographic approach to Karl Marx. Pursuing the Ricardian concept, Marx theorized that the value labour gave to a product was divided between the worker and the owner of the means of production. What accrued to workers was not surplus value. Ricardo suggested that the surplus value went to the landlord, but according to Marx, this went to the capitalist. This accrual would lead to further investment, which would increase more rapidly than the surplus. Profits would eventually decline and large capitalists would absorb the smaller ones. Even with this

process of concentration of capital, the system would grow weaker, with a continuing intensification of crises, along with proletariat dissatisfaction and inevitably, the capitalist system would collapse.

Galbraith then proceeds to analyse various colonial countries instancing India, China, the Middle East, Africa, Latin America and Eastern Europe, where there were no capitalists, but landlords and farmers. These countries/regions eventually became dominated by Western Europe and the United States. Galbraith traces the advent of colonialism from the Crusades, the Spanish achievement, the British East India Company, and the American experience in the Philippines, Mexico, South America and South East Asia. All colonial systems, he asserts, come to a sticky end.

Galbraith next studies Lenin's achievements in the attainment and keeping of power, superficially mentioning the collectivisation of agriculture in the early stages of the Soviet system. He further argues that World War I was the watershed wherein the social and political systems, which were built up over previous centuries, fell apart. The Age of Uncertainty began when aristocrats, capitalists and socialists became uncertain of their respective positions in the new society, and World War II followed partly as a result of World War I.

The relative strength of the groups in society has varied according to regional location. In Eastern Europe, for example, the main source of power remained with the landed aristocracy, the family elites, officers and officials under the ambit of the monarchic system, while the capitalists were a secondary consideration. In Western Europe and the U.S.A., capitalists became increasingly influential, yet the traditional ruling class held sway in government posts, which in England and America were filled from Oxbridge, Harvard, Princeton and Yale.

Galbraith's next chapter, "The Rise and Fall of Money", provides the setting for the Keynesian Revolution. The reader learns that Keynesian economics were first applied to Nazi Germany and how the theory was "sold" to Roosevelt through Keynes' disciples at Harvard, of whom Galbraith was one. Keynes argued that the Depression continued because businessmen did not invest and accordingly he wanted the government to fill the vacuum. Galbraith argues that the "Great Crash" occurred because of the financial manipulations by the investment houses, which are substantially implicated by Galbraith for contributing to the 1929 financial fiasco.

Galbraith then proceeds to discuss contemporary economic and political issues including the Soviet-U.S. arms race, the giant corporation, world poverty, the cities and in the final chapter, democracy.

Chapter 9 introduces the subject of the giant corporation, on which Galbraith has written extensively. Traditional economic theory states that since the corporation acts in the interests of the consumer, it cannot be of service to itself. Reference is made to Samuelson, who claims that the consumer is "king" and each consumer is a voter who uses his money to achieve his objectives. However in the real world, Samuelson recognizes that corporations substantially influence their markets—they are "price administering oligopolists".

Galbraith invents a mythical corporation—"United Global Enterprises", and traces its supposed development from 1871 to the corporate structure of the present time. Galbraith compares U.G.E. with a real life multinational corporation, Philips of Eindhoven. Philips, like U.G.E., is a creature of its

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technostructure, where corporation performance depends on organizational competence. This emanates from the (U.S.) Harvard Business School or the French Business School INSEAD—to take two examples. Teamwork is the name of the game, in which specialists from various disciplines—engineering, accounting, marketing and economics, contribute to the group effort. Power is in the hands of the technostructure, rather than the stockholders.

Galbraith asserts the multinational corporation is the only structure equipped to handle the major tasks required by society today. However, the ultimate answer to the multinational corporation is the multinational authority. National governments and national corporations must act in accordance with strong guidelines, where the exercise of corporate power is geared to serve the public purpose.

Some prominent economists have condemned Galbraith's previous writings and this book also. Yet I believe *The Age of Uncertainty* has broad appeal to those who have never read his books previously, and to those outside the economic discipline who have not been encouraged, in the main, by 20th century economists to think about economics. Galbraith presents many aspects of the subject with style and from a long run viewpoint. This is noticeably lacking in most commentaries. The advantages of this excellent book stem from Galbraith's analysis of the past to describe the present, and to draw recommendations for the future.

The publication of this book in Australia coincided with the television release of the B.B.C. documentary on the A.B.C. in 1977.

N. R. BAKER

Department of Agriculture, Sydney