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BOOK REVIEWS

Accounting and Planning for Farm Management. (Queensland Department of Primary Industries, 1971.) Pp. 161.

Given one's apprehension of committee reports, especially a joint committee composed of accountants, agricultural economists and agriculturalists (just to give the mixture an extra stir, these were a combination of both practical and academic men) one read the 1966 report of the Joint Committee on Standardization and Farm Management Accounting *Accounting and Planning for Farm Management*, with a certain amount of scepticism. However, in 1966 one had to be most favourably impressed by the quality of the work which they presented and by the unusually sensible way in which they overcame the many problems which arise when agricultural economists and accountants get together to talk about farm management accounting.

Their original text came under critical study some 3 or 4 months after its publication, at a workshop held at the University of New England in August 1966. The text, now known as the 'Blue Book', was the basic document for study. Few publications would suffer the concentrated fire and close scrutiny so soon after their release as the 'Blue Book' experienced in 1966. In the event, it survived the scrutiny extremely well, so that the second edition (which follows on two reprints of the original edition), does not differ substantially from the earlier mould. Comments arising from the workshop and from other sources have been skilfully incorporated into the original text, either as actual changes or else in the form of a discussion of the suggestions which have been made and the reason for not expecting these criticisms.

The 1966 Workshop resulted in the formation of the Australian Committee for Coding of Rural Accounts ('ACCRA'). An important aspect of the second edition of the 'Blue Book' is that the chapter on coding of farm accounts has been completely revised to take into account the code which was developed for the ACCRA Committee and which was released in February 1970. In fact the second edition refers quite frequently to the work of ACCRA and endorses the suggestions which have emanated from that committee.

Thus, to those who are familiar with the original edition of the 'Blue Book', one can still recommend the second edition because there are sufficient changes, discussion, new ideas and comments incorporated to make it a 'good buy'. For those who have not had the good fortune to read the first edition then this current edition is thoroughly recommended as an introduction to Farm Management Accounting in Australia.

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Consumer Behaviour. By A. S. C. EHRENBURG and F. G. PYATT. (Penguin, Ringwood, Vic., 1971.) Pp. 384, \$2.10.

This volume attempts to grapple with a few of the intricacies related to consumer behaviour by reproducing 18 published articles or extracts

of speeches. The contributors to the volume have a diversity of backgrounds including academia, governmental and private enterprises located in the U.K., U.S.A. and Europe. The book is primarily oriented towards viewing consumer behaviour and more specifically how this changes in response to alternate marketing efforts.

The articles included in the volume are grouped into four sections. Two of the sections deal with buyer behaviour and consumer attitudes for non-durable manufactured branded goods. One section examines the consumption of durable goods. The last section presents some economic factors which influence and/or reflect consumer behaviour.

This review will examine *Consumer Behaviour* in the light of the following questions:

1. Can the study of consumer behaviour from an inter-disciplinary perspective improve the economists' understanding of micro-economic phenomena?
2. In what way does the volume under review contribute to such an understanding?
3. What are some of the major weaknesses of Ehrenberg and Pyatt's effort?

Consumer Behaviour as an Inter-disciplinary Study

Economists and agricultural economists continually are in a position to analyse the distribution of productive resources in an economic environment in which the production realized is justified in terms of consumer preferences and income. In order to undertake such analysis, efforts are often focused on production functions and various sorts of internal and external economies. Our understanding of the variables which have an impact on demand are often much less sophisticated than the analysis of production. This is probably an outgrowth of the greater availability and ease of coping mathematically with production statistics for an enterprise or industry.

To the extent that our analysis does not adequately take account of considerations affecting demand, economists subject themselves to the possibility of major errors. For example, in determining the way in which resources are allocated between rural and urban based industries, and the role the government should play in providing the required investment in infrastructure, or level of protective tariffs, short term price fluctuations and longer term trends may be misleading. Most commodities produced in urban based industries are sold at a price which permits an adequate rate of return and capital for expansion, diversification and modernization. This price (and the associated sales volume produced) is influenced by existing tariffs and by promotion and marketing activities which heighten and increase the consumer's desire for such products. To the extent that promotional and marketing efforts are successful in influencing the behaviour of consumers, the demand curve shifts upwards and the volume of sales and price received are higher than would otherwise be the case. However, in many rural based agricultural industries the emphasis on promotion and marketing efforts is proportionately less, and the result is that many firms in such industries are unprofitable, and unable to diversify and modernize. The outcome of this differential rate of growth between rural and urban industries has led to increasing investment on a continual basis in urban infra-

structure in urban areas as well as the creation and maintenance of tariff barriers. This acts to stimulate urban based industries. However, much of the government's investment and assistance in rural areas is oriented to reducing the hardships associated with a series of crises. For those agricultural industries whose outlet is sold internationally by government instrumentalities the promotional and marketing efforts leave something to be desired.

Economists would be better placed to analyse such situations if more data concerning consumer behaviour and determinants of demand were taken into account. This requires relying on the psychologist, sociologist and market researcher to a much higher degree. It also means that techniques will have to be developed to translate such things as consumer opinions, or group dynamics into demand functions. The impact of promotion and marketing efforts must also be traced as to their effect on altering the demand schedule and its elasticity.

The Value of an Inter-disciplinary Approach

Ehrenberg and Pyatt provide a range of articles from the fields of economics, psychology, sociology and marketing. Their brief editorial comments tend to indicate the common threads running through the articles included in each of the sections. The contributions by Katona and Haire provide an example of the contribution to consumer behaviour made by psychologists. The articles by Brown, Frank and Brown *et al.* are applications of sociological research into a marketing framework. The three articles by sociologists provide a limited example of the range of research conducted in this field. However, the articles presented on aspects of marketing and market research sharpen the analysis and define more specifically some of the problems and issues which economic analysis should take into account. The five articles authored by economists present the broad issues in economics related to consumer demand as well as some specific statements and approaches to grappling with the issues.

Thus, the editors present the reader with a variety of different perspectives on both the broad and specific issues related to consumer behaviour. The orientation of all the articles is one which is suited to those interested in examining consumer behaviour independent of their orientation or background. The basic emphasis is to present a variety of outlooks on the many facets of the psychology of purchasing and the impact of groups, all of whom are the focus of promotional and marketing efforts within a particular set of economic circumstances.

Weaknesses

If this were the first or even second book published which deals with consumer behaviour one could view it more charitably. There are numerous flaws which are evident in this volume which have been avoided by other authors writing in the area of consumer behaviour. The book, like many collections of readings, lacks integration and tends to avoid clearly defining the 'state of the art' of consumer behaviour today or the extent to which it has developed. Many readers will undoubtedly feel that they have read eighteen articles dealing, at times most peripherally, with facets of consumer behaviour but not having a central theme around which they may collect their ideas.

The editors, in their introduction, describe the volume as 'a rather personal selection of papers'. The papers would have a great deal of meaning to those who are well acquainted with the widely dispersed literature on consumer behaviour. While the papers may have contributed greatly to the development of the editors' interest in consumer behaviour, the collection leaves something to be desired for the novice.

The editors also go on to say in their introduction that '. . . very little indeed is known—in an empirically validated form—about how consumers *change* their behaviour'. Considering that an article by Ehrenberg on Consumer Behaviour is followed by 99 references of which he authored or co-authored 71, it appears as though the efforts of Ehrenberg and many others writing in his area have resulted in almost no contribution. Fortunately this conclusion is not shared by other authors of books on consumer behaviour, such as Walters and Paul, *Consumer Behaviour and Integrated Framework* and Kassorjian and Robertson, *Prospectives in Consumer Behaviour*. Perhaps what Ehrenberg and Pyatt feel is that no precise equations exist which firms can use in order to change the behaviour of consumers at least cost. This raises two questions associated with studying consumer behaviour. To what extent should such studies take into account ethical questions related to invasion of privacy or saturation type promotion? To what extent should studying consumer behaviour be oriented to continually increasing consumption and/or changing buyers' habits?

I believe that the authors could have selected more material reflecting more up-to-date writing and research. Also the book could have been strengthened had it included one or two articles based on the research involving the diffusion of innovations in agricultural communities in underdeveloped or developed countries.

Conclusion

Consumer Behaviour by Ehrenberg and Pyatt is another book published in a field which is rapidly developing. The book successfully accomplishes some limited purposes. The major point impressed upon the reader is that it is difficult to understand consumer behaviour. Understanding is improved if one accepts an inter-disciplinary view and some of the articles reproduced demonstrate this assertion. However, the book does not succeed in adequately covering and developing the central core of consumer behaviour. The contributions in this volume are from a variety of disciplines and do not reflect much of the more recent results of research in this field. Furthermore, questions concerning ethics and social considerations are almost totally ignored.

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Farm Management and Agricultural Economics: an Introduction. By J. B. HARDAKER, J. N. LEWIS and G. C. MCFARLANE. (Sydney: Angus & Robertson 1970.) Pp. 201, \$4.95.

'The main aim of this book is to introduce readers to some of the basic concepts and principles of economics and to demonstrate the relevance of these principles to problems of agricultural decision-making,

both at the level of the individual farm business and at industry, national and international levels'. These objectives are tackled in three parts. Part One deals with basic concepts and principles of economic theory, Part Two with farm management, and Part Three with marketing and agricultural policy. No prior economics is assumed. The style is clear throughout. Students should be able to proceed through the book without encountering any major analytical stumbling blocks.

To achieve its aim 'descriptive material has been severely rationed in the belief that it is more useful for readers to acquire a command of principles than a bundle of rapidly dating facts. In an introductory text of this nature there is little place for purely descriptive and institutional material for its own sake'. This reviewer seriously questions this contention, and believes that if the authors had developed principles in the context of real problems in Part One, and if they had used principles to solve real problems in Part Two, the book could have succeeded. The authors themselves observe that 'most of the great original thinkers in the history of economic thought have tended to have a policy axe to grind and have derived their inspiration from this fact' (p. 186). It could follow that most great teaching of economics, too, derives its inspiration from real problems, whether at industry, national or international levels.

Part One is a standard elementary introduction to value, prices, supply and demand, and short-run allocation in production. Some topics of specific relevance to agriculture are discussed in the treatment of supply and demand analysis. These are the derived nature of demand for farm products, marketing margins, backward sloping supply curves, asset fixity and commodity cycles. Other topics which could be useful in demonstrating relevance of basic principles to agriculture, such as the nature of the farm as an economic unit, characteristics of agricultural resources and their markets, and market power are by-passed, though they are raised in a less formal manner in Part Three.

Principles of short-run allocation in production are illustrated with the usual tabular demonstrations of optimization (Tables on pages 50, 55 and 56). In each of these cases the optima have pay-offs which are only insignificantly better than those of a wide range of alternative hit-or-miss solutions. One seriously wonders whether students don't despair of their teachers who place high priority on demonstrations of such inconsequence. The allocation problems which lie behind issues of current importance to Australian farmers, such as viability, growth, investment, farm reconstruction and refinance, are left unmentioned.

Part Two is the least satisfactory section of the book. It deals neither with principles nor with facts, but with methods which fail to come to grips with either. Concepts of Part One are virtually ignored (joint, competitive and complementary products, flow and stock resources, nature of costs). By default the book seems bent on demonstrating the irrelevance of these principles to problems of agricultural decision-making. No subsuming principle of value is brought to bear on the treatment of valuation and depreciation (pages 93 to 97). There are consequent confusions between value in use and value in exchange. Assertions are made such as '*Adequate* records of physical and financial activities are *essential* . . .' (page 85, my italics). But no discussion

follows on information needs and of benefits and costs of completeness and accuracy of recording. Also, 'In considering financial security at any time it is *necessary* (my italics) to look also at the *net capital ratio* . . .' (page 101). No treatment is given of principles of leverage.

The criterion of successful decision-making is *profitability*, which is neither defined nor discussed. The partial budget is rightly seen as a marginal concept and a powerful tool of analysis, and it is given a central role in the evaluation of projects. But in failing to consider changes in inventories, change in liquidity is confused with profit and the overall effect on equity is not identified. The term *complete budget* as used is a misnomer. It is presented as a net summary of a collection of gross margins, which themselves appear to be calculated only on a cash basis. Hence it shows neither anticipated profit nor total needs for and uses of money. No mention is made of within-year money flows, relationships between money flows and movements in balances, debt peaks and troughs, needs for control, household needs and sources of money. These problems are germane to information needs and to practical decision-making.

Yet this part fails, not simply because of errors or omissions, but because it provides no operational procedure for working through the steps of rational decision-making which the authors themselves outline (page 80). These are, 1. recognizing problems, 2. collecting information, 3. specifying and analysing alternatives, 4. deciding, 5. implementing, 6. observing and evaluating, and 7. bearing responsibility.

Part Three comes off best of all. Principles, hypotheses, problems and institutions are discussed concurrently. Whereas concepts are dealt with less formally than in Part One, the admixture of material lifts the relevance of the whole discussion. But success is partial. Agricultural policy is identified far too closely with marketing and trade. Credit, rural reconstruction, and the distribution of resources, of rights to produce, and of income, are scarcely mentioned. It is unfortunate that this material was apparently written well prior to agriculture's current malaise. It therefore fails to achieve the potential relevance which is within its approach. Realities of 1971 are treated only as hypothetical possibilities in this book published in 1970.

It is a great pity that this book, which contains a great deal of well-written teaching material, should have foundered in these ways. The more so, since it the first text in the field to be published in Australia.

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Studies in Agricultural Credit. By ECONOMIC DEPARTMENT, RESERVE BANK OF INDIA. (Bombay, 1970.) Pp. 210, Rs 14.

For a country which gives the outward appearance of being backward and underdeveloped, India has learnt a surprisingly large amount about some aspects of its rural industries. While Australia has yet to determine exactly how much has been borrowed by its rural producers, India has not only fully documented the extent of its rural lending but the Reserve Bank of India has also studied in considerable depth the characteristics of rural borrowers in practically every area of the country. *Studies in*

Agricultural Credit contains the reports of three surveys dealing in turn with the short, medium, and long-term credit needs of selected centres in 18 districts. The survey samples were drawn purposively to reflect the known use of each type of credit, but it would seem from some of the remarks, particularly in the first study, that seasonal conditions were such that the studies might well reflect average practices as well.

Each survey is reported in considerable detail. The first one based on a field study of the effectiveness of the Intensive Agricultural District Programme (I.A.D.P.), particularly the role played by co-operative societies in financing operating expenditures. It initially outlines the plan of the investigation, the agricultural economy of the selected districts, and the essential features of the I.A.D.P. The main body of the report is concerned with the extent of farmer participation in the Programme. The discussion draws out some information on the role of co-operatives as a source of credit, through an examination of the use of co-operatives by farmers, but the consideration of the role of co-operative credit institutions and their co-ordination with other agencies is very much a secondary theme in two following sections. The second and third surveys concentrate more on the features of asset formation and borrowing profiles, though again a substantial amount of background material is included.

Although the empirical results of the studies are likely to be of value only in the survey areas, many of the conclusions reached by the reporters should be of considerable interest and relevance to all who have the task of determining or discussing rural lending policies. To cite but a few examples: the seeming inability of co-operatives to help the smaller operator, to provide adequate supervision of the use of borrowed funds, and to liaise with other organizations; the limited need for medium-term credit when an area has been fully developed or extension workers have failed to stimulate the adoption of new capital-intensive technology; the dislike which farmers express towards lending institutions which demand lengthy documentation of loan applications; and the preference which farmers have for one type or line of credit rather than a mix which may meet their needs more closely.

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Management and the Social Sciences. By T. LUPTON. (Penguin, London 1971.) Pp. 151, \$1.20.

Management and the Social Sciences was written by Professor Tom Lupton of the Manchester Business School with two special considerations in mind. The first was to overcome the distrust of the social sciences by students of the Administrative Staff College. The second was to interest these students in the contributions of the psychologist, sociologist, and organization theorist to modern management. In writing for these ends, Lupton has, perhaps incidentally, provided the social scientist with an excellent introduction to personnel management and organization theory.

The relationships between the individuals and groups in organizations are emphasized in the first three chapters. This section of the book

surveys early contributions to theory, empirical tests of theories and the managers' problems. Throughout this discussion Lupton warns that
' . . . social science is not magic. There are no rabbits to be pulled out of hats . . . ' (p. 81).

The methods of social science are applied to the problems of industrial conflict, joint consultation, motivation and change, to demonstrate the techniques of description, analysis and prescription.

The approach of the sociologist is seen as concentrating on factors which shape the structure of organizations and on the roles that each individual plays. The industrial psychologist is concerned within the problems of the individual in his effort to adapt to the physical environment and to the pressures of the job. The theorists of formal organization, such as Fayol and Urwick, try to derive generalized rules from empirical observations.

The fourth and final chapter introduces the impact of economic decision-making on management. The work of Cyert, March and Simon of the United States of America and Lupton and Gowler of England is described in this context. Behavioural theories of decision-making are discussed in terms of interactions of inputs, outputs and processes on management.

Whereas economic theory readily identifies individuals as rational profit maximizers, personnel management seems to be a search for the identity of each individual in the firm. Such questions as, who makes the decision? why are they made? what would happen to A if his environment was changed? pervade the discussion. These questions do help in the understanding of management problems. But organization theory provides no better model of the actual decision process than does economic theory.

Despite an occasional economic *faux pas*, such as the statement that economic theory was not intended for problems of resource allocation within the firm, Lupton's book is a valuable text for courses in management at the college and university level. It is relatively free of terms which would be new to an agricultural economist, and the author provides capsule summaries of his arguments at frequent intervals. For these reasons the book is easy to read. The survey of the fields of personnel administration and organization theory is complete in scope and sufficient in depth to be a good introduction for even the discerning reader.

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Initiation à la Gestion Prévisionnelle de l'Entreprise Agricole. By P. DU BOULLAY and M. DESCLOS LE PELEY. (Institut Supérieur d'Economie Rurale, Angers, 1969.) Pp. 200, Fr. F.50.

This book deals in a very pragmatic way with the role of the agricultural adviser in helping farmers to make better management decisions. The emphasis throughout is on practical farm planning methods, while the presentation is in the form of a training manual for advisers.

The book is divided into four parts. In the first and largest section an introduction to farm management is presented and methods of

short-term farm planning are described and illustrated. Topics covered include partial budgeting, gross margin planning, simplified programming, comparative analysis and budgeting control. The treatment of these topics follows what might be called the 'programming approach' and is consistent with the view of farm planning generally accepted in Australia.¹

Chapter 5 in Part I includes a model of the farm management decision making process which is related to the various farm management techniques described. This model would be of general interest to farm management researchers.

In Part II, farm planning is extended to the long-term, with an exposition of discounting procedures, including the use of net present value and internal rate of return as decision criteria. The procedures of cash flow budgeting are well illustrated.

Part III is devoted to a reasonably comprehensive treatment of linear programming in its application to farm planning problems. The emphasis again is on the practical aspects of matrix construction and data provision, rather than on the theoretical or computational aspects of linear programming. This section would have been strengthened by a more thorough treatment of the problems of interpreting linear programming results in practical farm management terms.

The fourth and final part of the book deals with farm management decision-making under uncertainty. It is introduced with the aphorism:

Il n'y a de certain que le passé

mais on ne travaille qu'avec l'avenir.

What follows, however, fails to live up to this promising start. The treatment is largely outdated, with emphasis in the analytical sections on the use of game theory decision models. No account is taken of the use of decision theory for tackling farm management problems involving uncertainty.

Taken as a whole, the book represents a useful and interesting contribution to the literature of farm management. At times, the pace is slow, largely because of the heavy reliance placed on case studies which the authors attempt to bring to life by including a good deal of irrelevant if realistic circumstantial detail. The frequently light-hearted treatment is, nevertheless, well suited to the objective of the book of providing an introduction to practical farm management for agricultural advisers.

The value of the book in Australia must, unfortunately, be very restricted, first by the fact that it is in French. Second, before the book could be used locally as a training manual it would be necessary to rephrase most of the examples in terms of the technical and institutional circumstances of Australian agriculture. Certainly, however, any would-be author of a manual of farm management techniques for agricultural advisers in Australia would do well to study this book before he puts pen to paper.

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¹ See, for example, Rickards, P. A. and D. J. McConnell, 'Budgeting, Gross Margins and Programming for Farm Planning', Professional Farm Management Guidebook No. 3, University of New England, 1967.