

Information, Strategy and Public Policy edited by David Vines and Andrew Stevenson (Basil Blackwell, Oxford, 1991), pp.172, \$US59.95, ISBN 0-631-17693-4.

The lectures in this book were a series given at the University of Glasgow in 1988-9, each distinguished speaker addressing the general theme of public policy in a world of imperfect information and strategic behaviour. According to the Preface, the lectures were intended to be accessible to a non-specialist audience. Admittedly, the audience has to bear with a few Cournot oligopolists and some Nash equilibria but this is a small price to pay for what is rightly claimed in the blurb to be "a remarkable and accessible insight into the dilemmas of modern economics".

In a forceful Chapter 2, Joseph Stiglitz sets his sights on the fundamental theorems of welfare economics. He concludes (pp.14-15) that the basic theorems stand "as one of the triumphs of modern mathematical economics", but key assumptions "make the theorems of limited relevance to modern industrial economies". In summary, he says "Adam Smith's invisible hand may be invisible because, like the Emperor's new clothes, it simply isn't there; or if it is there, it is too palsied to be relied upon".

The elements of his attack relate to information and strategic behaviour — an emphasis that gains support from the empirical findings on growing information-intensity in modern economies. In Chapter 3 Frank Hahn continues the attack, his criticisms relating to the informational requirements of the welfare theorem that states that the competitive economy is always Pareto-efficient. He warns (p.70) that "the larger the matter at hand, the less complete will welfare economics be found to be". "[T]he textbooks have not only encouraged bad welfare economics but, much worse, a belief in a 'scientific' welfare economics".

Chapter 4 by Partha Dasgupta, "The Environment as a Commodity", will be of interest to all those concerned with questions about conservation, pollution, national parks and heritage lands. Edmond Malinvaud looks to macroeconomics and market failures in Chapter 5, i.e., unemployment, inflation and major imbalances in economic evolution that prevent an efficient division of labour and utilization of resources.

Kenneth Rogoff examines strategic behaviour by governments in two contexts: the notion of credibility, first, in setting and implementing macroeconomic policy, and, second, in international economic relations. The final lecture by the editors extends the discussion to the problems raised by strategic behaviour by governments in the sphere of exchange rate policy.

The concern with informational and strategic behaviour problems, so much to the fore in the early chapters, lessens as we move through these lectures. Perhaps this is no more than testimony to the enormous task ahead if the notion that information has the key role in the economy is to be fully tested.

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Rejuvenating the Mature Business: The Competitive Challenge by Charles Baden-Fuller and John M. Stopford, (Routledge, London, 1992), pp.xii + 232, £21.50, ISBN 0-415-08987-5.

According to Baden-Fuller and Stopford, "Maturity is a state of mind" (p.1). Firms, like people, are only as young as they feel. To overcome the problems

associated with corporate sclerosis, the authors prescribe a series of strategic and organisational steps that firms can take to regain control of their destinies. On the strategic front, established firms should gain competitive advantage by staking out ground that others have ignored. In some cases this may involve doing something new, but frequently it only means improvements on existing products — better quality or design, improved repair service or delivery times. To implement these changes, however, appropriate organisations are required. Firms must first break their existing, pessimistic, thought patterns by recognising that change is possible and beneficial. As a prelude, this may necessitate large-scale dismantling of the current organisation. Establishing teamwork and gaining the cooperation of middle managers are particularly important. Finally, when a new path has been established, continued vigilance is needed to ensure that the firm does not relapse into complacency practices.

Although the authors are both respected academics and the book has emerged from a project at the London Business School, the intended audience seems to be practising managers. In one sense, this is a virtue because there is an admirable lack of jargon. Unfortunately, Baden-Fuller and Stopford seem to believe that people with sufficient intelligence to attain important positions in business are nevertheless blind to clichés and vacuities. Thus while the book presents a succinct summary of much of the recent literature of Japanese management practices, the importance of distinctive competences, and the role of organisational culture in promoting and retarding change, it is also sprinkled with distracting weaknesses. For example, the reader learns that “A strategic innovation is the *creation of combinations of actions which were hitherto thought to be impossible*” (p.38, emphasis in the original). While this is no doubt true in some cases, as a general rule it is dangerously narrow and confining. Furthermore, it is not supported by the case studies in the book. In order to survive at the lower end of the steel casting business in the UK William Cook began to differentiate itself from competitors by improving quality and customer service. These very sensible and profitable steps did not result from a search for the impossible dream, but from simple common sense. The final chapter begins with a string of bad aphorisms and epigrams that lead from the thoughts of the Red Queen through musical composition and potholes in the road to the revelation that managers who want to continue to benefit from change set their “ambitions in terms that raised new questions about how long-term progress might be maintained without undergoing once again the pain of the radical surgery that marked their first break away from the trap of maturity. Rejuvenation is not a one-off affair but an endless battle” (p.177).

These comments on style may seem carping, but they reveal a tendency towards shallowness. In this book, what you see is what you get, and much of it is misleading. There really are mature industries in the sense that demand is inelastic. Although some firms may prosper, it is not always possible for all competitors to grab profitable segments of such a market. Indeed, the outcome of continuous innovation by competitors may be beneficial, but the principal gainers may well be consumers who pay lower prices for better goods and services while producers suffer from reduced profitability. Therefore, while some firms may do very well by rejuvenating established industries, it is not likely that everyone will flourish through adopting such tactics. What managers need is not colourful rhetoric but more discriminating and wide-ranging advice than they get from Baden-Fuller and Stopford on how to cope with stagnant markets and slow rates of innovation.

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