

Book Reviews

The Rebirth of Australian Industry by P.J. Sheehan, Nick Pappas and Enijiang Chang (Centre for Strategic Economic Studies, Victoria University of Technology, Melbourne, 1994) pp. x + 240, \$29.95, ISBN 1-86272-442-3 (paper).

This report is the first fruit of a large study, *New and Old Industries in Australia*. Its focus is on the clumsily named 'elaborately transformed manufactures' (ETMs). The findings are interesting, but already well known to most observers of the Australian economic scene: there has been an 'historic' change in Australian trade performance since 1985, the trends seem to be continuing and could greatly facilitate growth in real GDP, helping to lead the country back to full employment.

Such a break from the past raises many questions about the causes and the sustainability of the new trend. What can we learn from the event, either from the perspective of public policy or that of theorists wanting to improve their models? This study will not help much on the first question, but it challenges the applicability of conventional trade theory as a sufficiently robust and comprehensive methodology for the task at hand. The limitations are clear from the four main conclusions advanced for the change: prior movements in Australia's cost competitiveness facilitated the take-off in 1985, though costs have not been a major factor subsequently; specific industry policies to boost exports have worked; the Australian business culture has accepted a more positive attitude towards exporting; and Australia has caught some of the wave of rising trade in ETMs, especially into Asia.

The problems with such conclusions are manifold. Take the first reason. Throughout, the study makes a working assumption that the traded goods are predominantly price-elastic. Even though non-price competition is mentioned with monotonous regularity, there is little attempt to measure the effects. It is disappointing that where the limits to conventional econometric analysis are recognised very little has been done to improve on the situation. Instead, reliance is placed on general discussion of the impact of regulation and attitudes.

Further questions flow from this issue. For example, why did it all come together in 1985 and not before? If attitudinal change is so important to the argument, why is so little attempt made to measure what they are and why they changed? In the absence of reasonable evidence - as in the total omission of any treatment of company-union relations - the conclusion seems self-serving. Given that the study focuses on industries where such virtues as quality, reliability of delivery and the like are so central to competitiveness, an opportunity to tie attitudes and work practices to non-price competition was missed. Has the development of enterprise bargaining had no impact on the outcomes described here?

Another important omission is the impact of foreign direct investment on trade. Foreign firms have played an important part in the growth of Australia's exports. For example, most of the exports in pharmaceuticals and automobiles, two of the sectors highlighted in this study, derive from foreign-owned assets. Why some foreign firms have decided to transfer leading-edge technologies to Australia and to create new regional supply points for some or all of the firm's value chain cannot be explained wholly by conventional trade-related measures of competitiveness. To ignore all the literature that shows how strongly foreign direct investment and trade are causally tied together, and that these relationships are increasing markedly in ETM-type industries, limits the explanatory power seriously. Moreover, the growing trade deficit in the ETM industries might have some link to ownership and the opening of more options to invest in only part of the business in each country - a question worthy of detailed study in the larger project.

Such limitations to the scope of the data and the interpretations diminish the worth of the study. If careful academic analysis is to illuminate the nature of public policy choice in this area, it must work on a larger canvas. For an international market, on what grounds can one justify any conclusions from a study that measures progress only on historical relationships? Has Australia been gaining market share in the Asian region or does the growth mask a decline in relative strength? Basic measures of firm-level behaviour provide some alternative clues about causality. Unless they are included - with care, for they are notoriously slippery - the historical, sector averages are likely to create illusions that are at best a distraction and at worst a harmful misdirection of policy.

John M Stopford

London Business School

Measuring the Impact of Information on Development *edited by Michel J. Menou*, (International Development Research Centre, Ottawa, Canada, 1993), pp. xii + 188, US\$18.95, ISBN 0-88936-708-6

This volume is a comprehensive report on an experiment conducted by the International Development Research Centre (IDRC) based in Canada. It covered a number of developing countries but none in the Asia Pacific region. Follow up case studies, however, are now being conducted. It is a very important contribution to development studies because it shows how far information indicators can be relied upon for measuring development. The book is equally important for the reason that policymakers can justify investments being undertaken in information-intensive infrastructure activities in the allocation of scarce resources. For debt-laden economies, with a shortage of hard currency reserves, such justification is critical.

The study consists of two parts: the first was a computer conference in which a group of fifteen information specialists brainstormed for seven months and the second part was a workshop in which the computer participants and professionals and policymakers from developing countries discussed issues concerning the benefits and costs of information technology as well as its content. At that point in time no empirical work was done but is now being undertaken in the form of five case studies.

The report addresses such concerns of significance as who are the beneficiaries of the dynamic changes in infrastructure? Are they the information elite or the common person? Are the participants in the information revolution convinced about its long-term relevance? Is there sufficient evidence to assure policymakers that the returns on their investment will be in the form of macroeconomic development? Measurement of the information sectors of ten Pacific Rim developing countries was done by the East West Center and the University of Queensland a decade ago. The contribution of the information sector to the Gross Domestic Product of these countries was estimated, but it still needs to be proved that there is a linkage between infrastructure investment and overall development for the majority of citizens. We still find telephone penetration ratios of two per 100 persons in countries of Africa, in China, India and Indonesia.

In the IDRC study the computer conference examined the validity of theoretical models and assessment methods which makes this study unique and its results reported in the vol-