

REVIEWS

Managerial Economics by Dr. P. L. Mehta, Sultan Chand & Sons, New Delhi. Price: Rs. 57.75

By and large managerial economics acts as a bridge between economic theory and financial management. It helps the economist to appreciate the problems of financial management encountered in real life business environment and the Financial Manager to understand the theoretical foundations of many techniques adopted by him for decision-making purposes. Dr. Mehta's voluminous book is meant primarily to cater to the needs of the student community and also to the practising managers and managerial economists as the author himself has stated in the preface.

The book has been divided into eight parts—Introduction, Demand Analysis, Production and Cost Decisions, Pricing and Market Promotion, Profit Management, Long-run Decisions, Macro Economic Conditions, Quantitative Techniques—followed by three Appendices, one on case study method, the second on review questions and the third on present value tables. The author has followed an innovative approach in pagination by linking the page number to the part under consideration. A perusal of the book, no mean task by itself considering its size, indicates the pains taken by the author in trying to cover a whole lot of ground in a manner that is appealing to the students. The number of questions and exercises given at the end of each part are meticulously chosen from the questions set by different Universities earlier. The book would certainly help the students.

Perhaps the author's motivation to cover many areas may have adversely affected the depth of the subject. A few examples are cited below so that in the next edition the contents of the book can be improved further. In the section on the business firm and its objectives the shortcomings of project maximisation models have been justifiably criticised. No attempt has been made to discuss the relative superiority of wealth maximisation models. This could have provided answers

to many questions raised in connexion with profit-maximisation models.

The section on methods of evaluating investment proposal is by-far the weakest area in the book. The terms 'income' and 'cash flow' have been used synonymously which can create conceptual confusion in the minds of the reader. For instance on page 6.23 the computation of ARI can be cited as an example of the author's misconception about 'net income' and 'cash flow'. The same misconception is carried over to what the author states as 'The modern techniques of investment evaluation'. On page 6.25 the author states "Once all future profits have been discounted to their present value this can be compared with the initial outlay to discover if the project is profitable. i.e. to find the net present value". The author would do well to revise this part thoroughly if he seriously wants to help the student community.

Nowhere does one find a list of references which the author must have in mind while preparing the manuscript of the book nor any index of terms and authors.

The criticisms outlined above are made with a view to drawing the attention of the author as also the Publishers to improve upon an otherwise well-written book.

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Economic Development, Social Structure and Population Growth by Victor S. D'Souza. Sage Publications, New Delhi: 1985

In the Social Sciences interdisciplinary studies can certainly aid our understanding of the behaviour of homo sapiens, behaviour of groups and behaviour of individuals in relation to other individuals. This venture is to be welcomed in that context.

Interest in the economics, and sociology of population growth is in ample evidence since the days of hoary antiquity. Manu and Zoroaster, Confucius and Plato and many others have exercised their minds in this regard. It would not be unfair to add that there apparently exists some culture-specificity in human attitudes to this issue; what may be considered as the optimal thing to do in one culture, may quite be frowned upon in another.

Furthermore, the motives behind restriction of or expansion in family size do not appear to be invariant to time, space and conditions.

The relatively low birth-rate in nineteenth century France, for instance, is usually attributed to the system of land-holding, and the fact that in agrarian France the scope for opportunities outside of agriculture were rather limited. In contrast, the population in the United States expanded markedly in early nineteenth century as opportunities presented themselves "out West" and parents no longer felt worried about the future careers of their children. In England the vast panorama of opportunities made available on the advent of industrial revolution appears to have contributed to a rapid rise in numbers. The parents, most of whom, were already in penury, did not possibly feel the urge to ensure anything better for their offsprings by limiting the family size. They knew that even children below 14 could work in factories and contribute their mite to the impoverished family kitty. But as the Factory Acts forbade child labour and as compulsory education was introduced the birth rate dropped. Causality is difficult to establish, but the circumstances were broadly as described. (There are cases around the world where education, increase in age at marriage, and many other variables seem to have contributed to a decline in fertility). These are just some examples to show that a variety of factors can conceivably influence family size.

Establishment of causal relationships explaining the behaviour of individuals and groups with respect to family size is a delicate affair. In spite of the research conducted over the years in this area it still remains shrouded in mystery. This is possibly so because we have not yet understood human

behaviour in its totality irrespective of the advances in the various social sciences.

In this work D'Souza has sought to establish that though it is widely believed that in the rural areas the size of the family is influenced by levels of economic and social status attained, it is really influenced substantially by the scope for inter-generational mobility. He has based his conclusions on micro-level studies conducted in three villages in the belt which has experienced the 'green revolution'. The author seems somewhat critical of existing studies in this area which have made use of concepts from Economics and Demography and feels that the sociological perspectives introduced by this study aids one's understanding of the situation.

There are three strands of theorizing in Economics, ultra empiricism, logical positivism and extreme apriorism. It would seem that the author wishes to remain an ultra empiricist. But the question that immediately pops up in one's mind in that context is: can we generalize and conclude on the basis of micro-level studies in three villages given the procedures adopted therefor (Ch. II), and consider the conclusions as ultra-empiricist ones. Are we not in for some fallacies in this process?

The author argues that (P. 14) "inter-generational mobility of a person which is an indicator of economic adjustment is the key economic variable for analyzing fertility behaviour." Granting that we are a tradition-bound society, and that casteism has still to go permanently from this land, it would still seem rather strange to consider this alone as the key variable, because a host of other factors may influence intergenerational mobility.

Though the author appears to be rather critical about the approaches by economists in this field of research the discussions on the socio-economic infrastructure of the study villages would seem to suggest that some kind of constrained optimization is indeed taking place at the micro-level. If this be true can we right away dispose of the approach which views children as durable consumer goods? Probably much more evidence is called for to do so.

In the course of the discussions on the correlates of differential growth rates of population the author considers outmigration and immigration with respect to the study villages. But the analysis leaves one wondering about the precise reasons for such outmigration and immigration. We do not know for certain whether these have occurred in response to the socio-economic opportunities that have been available, and the potential these hold for intergenerational mobility.

A close scrutiny of the data reveals some interesting facets. For instance, in table 8a (P. 51) (for Ugala) the average family size declines from 4.43 at income level less than Rs. 2,500 to 4.39 at income level Rs. 5,000 to Rs. 7,500 per household. We see the average family size rising at successive income levels (according to the data presented) till we reach the income level of Rs. 20,000 to Rs. 30,000, when it begins to decline again. In table 8b we see a similar phenomenon occurring at income level Rs. 20,000-30,000 (for Ghagga) and in table 8c (for Ghudani Kalan) at income level Rs. 20,000-Rs. 30,000. Even when the author relates the family size to occupational prestige in tables 10a, 10b and 10c we notice some instances where the relationship is not very clear.

One would naturally like to know why and how this sort of thing happens, but such issues have not been discussed in depth.

A reason to be wary about conclusions drawn on the basis of purposive grading and a rather small sample size (P. 63) is the possible lack of representativeness and generality.

However, our planners and policy makers would certainly be happy to learn that even this rather restricted micro-level study indicates that "trade in the informal sector and government organizations in the formal sector are providing employment and greater opportunities of mobility for new entrants" (P. 74). This is heartening because any responsible government would like to be of help in the process of development.

However, our planners and policy makers have been left no room for complacency as the author concludes that "the economic

inequalities among the castes have increased rather than diminished" (P. 79). The author also notes that the caste system "Channels economic changes according to its own pattern" (P. 85). He also notes that "The fact that the different castes have benefitted from economic development in varying degrees is also reflected in the mobility patterns of different castes in every village" (P. 91). It goes without saying that the goal of ensuring justice: social, political and economic would be attainable if this sort of situation, if indeed true, did not obtain. While conclusions based on this sort of micro-level studies remain suspect, because of the sample size and the problems associated with figuring out causal relationships, the issues raised indeed merit everyone's attention.

The author has gone on to state that "it is the persons with adverse economic adjustment who have reduced the size of their family" (P. 103). It is difficult to consider his definition of economic adjustment totally undebatable and to approve of his conclusion on the basis of the evidence that he puts forward alone.

Indeed when the author opines that "In the absence of economic growth and hence the lack of economic opportunities, the large size of the family of orientation gives rise to economic maladjustment of its members. Economically maladjusted persons are likely to reduce the size of their family of procreation as compared with the size of the family of orientation. Thus, the net result of a lack of growth in the economy would be a slower rate of growth of population" (P. 107), one is tempted to make a few observations.

If people limit their family size on grounds of economic opportunities open to them, then the author's contention expressed early in the work that economic theories have failed to explain fertility behaviour adequately stands challenged. Because, this would certainly imply a process of constrained optimization.

If the observations were universally true then many countries with stagnant or near stagnant economies would not have experienced any surge in population.

It remains true, however, that some case histories can be cited in favour of the author's

contention. (For instance, we have referred to this sort of a thing happening in France some years ago).

The author notes further: "To sum up, a notable feature of our study is that whereas the heads of households in our sample prefer smaller family sizes they have achieved larger families" (P.125). We, however, do not know precisely why this happened. If we did that would indeed aid our population and family planning experts.

On the whole this refreshing micro-level study is likely to serve a number of useful purposes in spite of the points raised.

The observation that there is "some negative relationship between the educational level of the mother or of the father and family size" (P. 128) is not only substantiated by evidence, but is certainly policy relevant to India in the coming years.

However, the above comments do not in the least diminish the value of this micro-level study. The effort is praiseworthy and the

author should be complimented for the great deal of effort he has put in.

Similarly the statement: "By and large the fruits of economic development have gone to the members of different castes according to the positions of their castes in the caste hierarchy" (P. 129) is a profound one. Researchers should institute further studies to see if this is the case everywhere and if so, policy makers should consider policy options which allow us to turn the tide. The vestiges of the caste system must yield place to a different kind of social structure: more egalitarian and more just.

The observation that the "achievement of a smaller family size is related to the practice of modern family planning methods" (P. 131) undoubtedly would relieve the anxieties of many. However, it seems judicious to mention that the urge to restrict the size of the family needs must come from within.

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