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Review Of "Worlds of Production: The Action Frameworks Of The Economy" By M. Storper And R. Salais

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action cost-politics approach deepens our understanding of the forces that produce the observed outcomes. However, Professor Dixit does not tackle the difficult problem of using the theory to develop refutable predictions of how specific changes in policy or political processes may arise. Indeed, his explanation both for the change from balanced to unbalanced budgets and for the changing congressional committee structure which accompanied these outcomes borders on a "tastes for government spending" argument. The job of developing and testing refutable hypotheses is left for future research which will undoubtedly be stimulated by the approach he has outlined.

Professor Dixit's concluding chapter (Ch. 4), particularly his discussion of economists' role in the policy process, contains much wisdom and is highly recommended to economists and political scientists who study policy making and to those who practice it.

The transaction-cost approach is a relatively new and promising mode of intellectual inquiry into the policy making process. Professor Dixit presents the approach and his contributions to it in a clear and concise manner. His monograph is both a valuable pedagogical tool and a stimulating essay. It is well worth the price of the reader's time.

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Worlds of production: The action frameworks of the economy. By MICHAEL STORPER AND ROBERT SALAIS. Cambridge, Mass.: Harvard University Press, 1997. Pp. iv, 384. $45.00. ISBN 0-674-96203-6. *JEL 97-1194*

The authors have written an ambitious book. It starts with a new way of analyzing the operation of firms and markets, in the tradition of Piore and Sable (1984); uses the typology developed in this analysis to explore the quite different organization of industry in the U.S., France, and Italy; criticizes government economic policy from the standpoint of their new approach; delivers a devastating critique of the New Institutional Economics; and then shows how all social science analysis of the industrial sector must be changed and broadened to follow their ideas.

The authors start by making two sets of distinctions: market risks versus market uncertainty in a standard Knightian fashion; and productive specialization versus standardization. The "industrial world" faces predictable risk and produces in long production runs of standardized products so as to achieve economies of scale. The "market world" faces market uncertainty and produces standardized products in short production runs, relying on flexibility to change production when the market changes. The "interpersonal world" faces market uncertainty and produces specialized products for individual demands. The "world of intellectual resources" faces predictable risks and produces specialized products and services for particular needs. Each one of these worlds (systems) of production has particular conventions (norms) that govern labor relations, membership into the group of producers; each coordinates people mobilized to make and utilize a product differently, each features a different process of innovation, and, in trying to earn a profit, each focuses on different variables.

The initial arguments to set up the analysis are carried out at a high level of abstraction with no concrete examples so that some may find it difficult to determine exactly what they are talking about. In a case study of 224 French firms, they divide them into the four groups, discuss relative profitability and other variables, and then show how the firms are changing from one production world to another. Unfortunately, they never tell us how they operationalized the various criteria and how they placed a particular firm in one box or the other of the typology, a problem that runs through the book. Why, for instance, do they place the Silicon Valley firms in the "world of intellectual resources" (p. 191) when these firms face enormous uncertainties and not predictable risks? Why, for instance, do they place firms in the non-metallic mineral industry (p. 100) in the "interpersonal" world when they are producing a standardized product using large-scale production methods?

The data problem, however, goes deeper than this because many of the tables are difficult to understand. For instance, Table 11.1 has a list of characteristics of 38 French industries. Unfortunately, they do not give us the units or the definition of some of the terms (e.g., "efficiency of capital"). Furthermore, they use the table to argue that large, multi-divisional industrial corporations have certain characteristics, except that the characteristics of the groups are never presented in any table, so we don't know in what industries they are located. Table 5.1 presents the composition of trade according to a typology of industrial sectors. In the rows presenting the trade ratios (exports divided by imports), some of the ratios are negative, which is difficult to understand because both exports and imports are defined as positive numbers. Further, the data show that the U.S. has a comparative disadvantage in scale-intensive goods, which is different from what they argue in the rest of the book. On page 198 they argue convincingly that evolution of firms is impossible between the "interpersonal world" and the "industrial world," or between the "market world" and the "intellectual world," and yet their data in Figure 4–1 and Tables 4–1 through 4–3 show that this is happening in their sample of French firms. Other tables and figures seem carelessly put together so that the numbers do not add up to the totals or, as in Figure 3.2, the formulae are marred by a serious sign error. Finally, in most data tables the sources are given simply in terms of the collection agency, for instance, OECD, which means that it is impossible to go back to the original source and reconstruct their calculations.

The qualitative evidence used by the authors to support their ideas also raises difficulties. For the most part they use wide-ranging generalizations and stylized descriptions of what is happening in particular industries in different countries, rather than concrete facts. In the discussions of Italy and America, for instance, they seldom discuss the experience of real firms. By way of contrast, the discussion of the French fashion industry is very concrete and, as a result, much more interesting.

The high level of abstraction on which they are operating has other disadvantages. In discussing the failures of governmental policies in the U.S., France, and Italy, they make a number of proposals. Unfortunately, these are at such a general level that it is difficult to know exactly what they are proposing.

This book represents an expansion of a volume originally published in France and the translation leaves much to be desired. Some French phrases (e.g., "in the sentier") are simply left untranslated, when appropriate English phrases are at hand. In other cases the meaning is totally unclear (e.g., "A convention of identity is somewhat like sedimented significations regarding the competences and characteristics of groups . . ." p. 23), and in still other cases irksome ne ologisms are employed (e.g., "Francilien" by which, I think, they mean "French").

The authors have many interesting and useful points to make about the ways in which firms and markets operate differently in the U.S., France, and Italy. Their criticisms of the New Institutional Economics are insightful. But they believe they have some broader and more important lessons to impart to the profession. Unfortunately, for this reader, the major message got lost.

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REFERENCE

PIORE, MICHAEL J. AND SABEL, CHARLES F. *The second industrial divide*. New York: Basic Books, 1984.

E Macroeconomics and Monetary Economics

New approaches to macroeconomic modeling: Evolutionary stochastic dynamics, multiple equilibria, and externalities as field effects. By MASANAO AOKI. Cambridge; New York and Melbourne: Cambridge University Press, 1996. Pp. xv, 288. $49.95. ISBN 0–521–48207–0. *JEL 97–0494*

The prototypical macroeconomic model in Aoki's book is dynamic and stochastic with externalities and a limited array of interactions. The static counterpart to such a model has multiple equilibria, which may emerge because of the presence of externalities. Aoki correctly notes that the "analysis of externalities in a dynamic context . . . apparently has been nonexistent or rare until recently in the economics literature" (p. 134). In his dynamic analog to a model with multiple equilibria, we