

Pitelis lacks any extended discussion of recent theories of technological innovation and institutional change, despite his recognition that technological advance is the essential source of long term profits and growth. Here he would have found a newly emerging view of the firm and the state as evolutionary institutions in their own right, and not just as substitutes for the market under certain conditions such as those of market failure. The firm can be thought of as a device for constructing collective technological competences that are embedded within its organisation, while the state can be perceived as a potential device for encouraging (or discouraging) the more rapid development of such capabilities within selected firms in facilities located in the country in question.

In this context Pitelis's attempted synthesis of the issues of efficiency, power, and distribution might have been the outcome of an evolutionary analysis, rather than advancing as he tends to his synthesis as a starting point for an evolutionary approach. For instance, in models of innovation, success is generally associated with higher shares of profit in income and faster growth, consistent with his argument that the objectives of efficiency and distribution are inseparable parts of a common process. Likewise, it might be argued that recent trends have made the market more hierarchical (in networks of dependent subcontractors) while the firm has become less so (as 'collective capitalism' has displaced some layers of managerial hierarchy in the most innovative companies), and so changes in the most efficient institutional forms are associated with shifts in power. In short, Pitelis has set us on an interesting road in his book, and on one that perhaps leads him away from or at least beyond some of the theories that were the original focus of his attention.

JOHN CANTWELL

*University of Reading*

*Advanced Industrial Economics.* By MARTIN (STEPHEN). (Oxford and Cambridge, MA: Basil Blackwell, 1993. Pp. xv+660. £50.00 hardback, £17.99 paperback. ISBN 0 631 17851 1, 0 631 17852 X.)

One of the main features which captured my early interest in industrial economics was the fact that it attempted to develop theories to explain the real world. I can still remember the feeling of excitement as I read the *Introduction to Industrial Economics* by Levine, Jones, Lee, and Tyson. Here were real-life issues: managerial discretion, the dispersion of shareholder power, firms' pricing behaviour, the growth of firms, and so on. This was in complete contrast to most of the rest of economics, which concentrated on what seemed to me (and still does) the largely irrelevant and hypothetical paradigm of price-taking agents in a competitive market. Whilst industrial economics was not always a zone of 'high theory', it did provide a judicious blend of theory, applied work, and case studies which was absent from many areas of economics (labour economics being the other main exception). Industrial economics has, however, always been open to new theoretical ideas: one need only think back to the thirties with the Chamberlin-Robinson monopolistic competition and

even earlier with Hotelling's location models. Again in the post war years, industrial economics was one of the first areas to exploit the new developments of game theory (the work of Martin Shubik springs to mind here – much of it in his seminal *Strategy and Market Structure*, Wiley, 1959). Most of the good textbooks on industrial economics up to the mid-1980s reflected this mix: some theory, some applied econometrics, and some case study material.

This eclectic approach was somewhat superseded in the period after 1980. The advances in theoretical game theory, associated primarily with the new equilibrium concepts of subgame perfection and sequential equilibrium were first developed and applied in the field of industrial economics. This work focused on issues such as entry deterrence, the sustainability of collusion, and strategic precommitment. These concepts have of course gone on subsequently to be developed in many other fields of economics (the new trade theory, labour economics *inter alia*). The whole thrust of the literature moved towards the theoretical. The textbook which most captured this new emphasis, and became the standard graduate text was Jean Tirole's *Theory of Industrial Organisation* (M.I.T. Press, 1988). The popularity of this as a handbook for the profession is attested by its heavy citation: at the time of writing, 270 articles published in the *Social Science Citation Index* have cited Tirole's book (to put this in context, Atkinson and Stiglitz's *Lectures on Public Economics* have accumulated 500 *SSCI* citations since 1980). Although I am much an admirer and user of Tirole, it has seemed to me that the pre-eminence of theory it embodies and reflects has been at the cost of the natural strength of eclecticism in industrial economics.

This brings us to Steven Martin's excellent book. This serves to bring together the empirical and econometric literature with the theoretical, following the best traditions of industrial economics. This again reflects the trends of the late 1980s, and the renaissance of the empirical work in industrial economics. Two features predominate in this renaissance: firstly, an attempt to test some of the new theories; and secondly, an improvement in the standard of applied econometrics (which had tended to be poor). This renaissance was well captured by the special edition of the *Journal of Industrial Economics* in 1987 edited by Timothy Bresnahan and Richard Schmalensee. Much of this material is missing from Tirole's book.

Martin has written a graduate text which manages to combine a lucid exposition of the theory, but one which also covers the empirical work. Furthermore, these two strands of the literature are well integrated: each chapter covers *both* the theory and the evidence (although of course the balance differs). The book is long, and this allows Martin to be comprehensive. He is able to cover a wide range of topics: there are nineteen chapters in all, covering standard topics in a thorough manner, as well as some less standard topics (I very much enjoyed the chapters on international trade and also macroeconomics from an IO perspective). Whilst each chapter has an empirical section dealing with econometric and other evidence, Martin also has three excellent chapters devoted to econometric issues, focusing on the structure–conduct–performance model. The first of these is a historical review. The second is a more in-depth study entitled 'debates over interpretation and

specification'. This is perhaps one of the most exciting and innovative chapters, covering in particular the attempts to distinguish the roles of efficiency and market power in generating profits, the treatments of advertising and overheads in price-cost equations, the stock market, and identification. Lastly, the book ends with a chapter on the 'frontiers' of empirical research. This includes sections on experimental methods and tests of game-theoretic models.

On the more theoretical side, Martin's book provides a comprehensive and comprehensible exposition of a wide range of theories. Chapters 2–5 take the reader through reaction-function oligopoly, strategic behaviour in investment, predation/limit pricing, and collusion. All this is done with copious examples, exercises, and a simple linearised model is used where possible. The chapters read as if they are based on lecture notes that have been refined intelligently. Whilst the focus of the book is not just on theory, it should not be thought that Martin ignores theory. Far from it. The great strength of Martin's book is that he manages to explain things in a straightforward and clear manner. For example, he has excellent treatments of sequential equilibria in his discussion of predation and limit pricing, with a thorough exposition of Bayesian updating and the different types of equilibria.

In my own view, Martin's book illustrates the traditional strength that industrial economics has derived from its economies of scope, combining theory and empirical work better than most areas of economics. This book will clearly become the market leader in graduate industrial economics texts. It is a handy reference for the practitioner, and can be used as the foundation for a range of possible graduate courses (depending on the chapters chosen). I can give this book my highest recommendation, and I will certainly be using it as the basis for my own courses.

HUW DIXON

*University of York*

*French and British Mothers at Work.* By DEX (SHIRLEY), WALTERS (PATRICIA) and ALDEN (DAVID M.). (London and Basingstoke: Macmillan, 1993. Pp. xiv + 213. £40.00 hardback. ISBN 0 333 58233 0.)

Several similarities characterise the employment of women in France and Britain. In both countries participation rates have increased, the share of women in the labour force has risen to around 42–43%, and, the classic 'M' shaped life-cycle pattern of participation, produced by reduced participation in the child-bearing ages, has given way to a smoother age-participation profile. But there are also well-known differences. British mothers work part time to a greater extent, and French mothers have more continuity in their employment.

Dex, Walters, and Alden use two national household surveys to develop this comparison: the Women and Employment Survey (1980) and the Vie Familiale et Vie Professionnelle (1981). They ask whether the same factors in both countries determine whether women work, or whether there are specific national or cultural characteristics operating, and they are anxious to identify the effects of differences in social policy.