Steel Corporation, as it was organized by Mr Morgan, and a Department of Steel as it might be organized by the Government?' (Chernow, 1990, p. 110). The answer, of course, is that Morgan's industrial consolidations were voluntary, whereas government-managed cartels are inherently coercive. Morgan might have been able to supervise the business affairs of the companies under his financial control, but he could not control competition. US Steel was Morgan's masterstroke: 'it would control nearly half of America's steelmaking capacity, and produce more than half of its total output—7 million tons a year' (p. 404) and it would create 'real value for investors, earning $60 million in net profit between March and December 1901, and $90 million in 1902'. However, US Steel's stock was outperformed by that of its major competitor, Bethlehem, over the next quarter of a century (p. 408). Morgan was also capable of making huge blunders. His attempt to cartelize Atlantic shipping by organizing the International Mercantile Marine around the White Star Lines was nearly stillborn when the British government paid White Star's chief rival for passenger service, Cunard, not to join by heavily subsidizing the construction of the *Lusitania* and *Mauritania* (p. 476), and sank forever when White Star's *Titanic* went down.

Strouse interweaves fascinating accounts of Morgan's business ventures with the story of his personal life. Unlike many of the ' "new" men from more modest backgrounds who were building America's corporate commonwealth and making large fortunes' (p. 142), Morgan enjoyed a privileged childhood. His father Junius's successful partnership with George Peabody supplied the wherewithal for European education and travel, creating an appetite that stayed with Morgan throughout his adult life. Pierpont's foreign excursions—Egypt was a favorite destination—were annual events, often keeping him away from 23 Wall Street for months at a time. But privilege had its price. His mother was 'depressed and demanding' (p. 78) and he learned from his father 'an astringent perfectionism' (p. 84) that produced a quick temper and a lifetime of hypochondria. Pierpont's character was further shaped by the early loss of his first wife, Amelia ('Memie') Sturges, to tuberculosis, and by his subsequent marriage to Frances ('Fanny') Tracy, who, much like the woman espoused by John D. Rockefeller, Sr, soon became a professional invalid.

Morgan escaped from his loveless marriage in a succession of affairs—some platonic, some not—that were apparently unimpeded by the rhinophyma that grossly disfigured his nose. Although 'he could have made more money than he did' (p. xii), Pierpont lived well, building a series of ever more sumptuous yachts named *Corsair* ('if you have to ask you can't afford it') and amassing a fabulous collection of art worth $50 million at his death (Chernow, 1990, p. 158)—the total value of his estate was put at $80 million (p. 684).

The third part of Strouse's story is of Morgan's central role in maintaining the stability of the American banking system. Among other things, he helped defuse financial panics, bail out New York City, and ease the post-Civil War return to the gold standard. Ironically, it was the behind-the-scenes manoeuvring necessary to restore confidence in Wall Street that supplied populists with their most effective ammunition against the so-called Money Trust. Pierpont's attempt to defend himself in testimony before the Pujo committee probably precipitated his final nervous collapse in April 1913. Why is it, one wonders, that populist demagogues heap abuse on men who have worked hard to accumulate wealth but are awestruck by the scions of families who have done nothing other than inherit it?

In my view, teachers of courses in management, leadership, entrepreneurship, and business ethics should junk their textbooks and insist that students read about the men who built the modern industrial world. Not only would some history be learned and some myths be dispelled, but students would gain a fuller appreciation for the foundations of business success—a reputation for fair and honest dealings ('the first thing is character . . . [A] man I do not trust could not get money from me on all the bonds in Christendom') and the dogged pursuit of efficient resource use—than could possibly be gained otherwise. *Morgan* should rank high on any such reading list. It is the definitive biography of a man and his time.

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MARKETING STRATEGY AND UNCERTAINTY, by Jagpal, S., New York: Oxford University Press, 1999, xvii + 334 pp., $55.95 (cloth).

A book of this type is still an exception—if not a complete novelty—in the field of marketing. In it, Jagpal develops a thorough and rigorous application of microeconomic analysis to selected issues of marketing strategy. Special attention is given to the interface with corporate finance, drawing upon portfolio theory and the capital asset pricing model (CAPM) as frameworks to explain the marketing behavior of firms with particular financial structures.

Chapters 1 and 2 are devoted to issues of strategic price policy. Uncertain expectations about demand and cost, heterogeneous preferences, capital market risk, effects of competition, information asymmetry, and multiperiod considerations are some of the assumptions that make the treatment of strategies such as price bundling and price skimming more realistic than in many other textbooks. Chapters 3 and 4 deal with consumer behavior. Lancaster's 'characteristics' model of consumer preference is extended to incorporate reference pricing theory, which itself was developed from Kahneman and

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Tversky's Prospect Theory. Where the latter explains the evaluation of individuals' gains and losses in terms of distance from a reference point, Jagpal's hybrid model substitutes the prevailing market price for this reference point and thus presents a behavioral conception of consumer surplus. Methods of measuring consumer demand (choice models, cluster analysis, stochastic multidimensional scaling, etc.) are compared, and conjoint analysis is given a more thorough treatment. For those cases where *a priori* market segmentation is ruled out, and consumers exhibit heterogeneous preferences, a random–coefficient mixture model is proposed. The author presents a generalized conjoint analysis method that can capture unobservable heterogeneity and uncertain perceptions while, at the same time, making managerially relevant conclusions about the relationship between preferences and product design possible. Chapter 5 deals with issues of distribution strategy, particularly channel structure. The profitability of new product introduction in a manufacturer–distributor, multiproduct and multiperiod context is shown to be dependent—although not exclusively—on the pricing policy adopted. Chapter 6 is devoted to the 'classical' problem of determining optimal advertising budgets. Expected utility theory and the CAPM are used to develop normative models of advertising for both monopolists and duopolists under uncertainty about demand. The Dorfman–Steiner theorem about a firm's advertising–sales ratio is largely confirmed, even for cases of uncertainty. Chapter 7 extends some of the findings to media planning decision, such as to message content, media choice, and advertising frequency, all of which are again pitched against media rates in static and dynamic settings. Chapter 8 is devoted to personal selling and deals particularly with salesforce compensation decisions. The author presents a dynamic model in which the current level of personal sales has a stochastic effect on future demand. It is argued that consideration of consumer satisfaction in compensation plans, notwithstanding the notorious measurement problems, is a superior strategy. Empirical models of personnel selection and training levels are proposed, and the difficult measurement of ability receives an analytical treatment. Chapter 9 discusses several issues in making domestic and international marketing decisions, such as the choice of product portfolio and target markets, the pre-announcement of new products, and the stockmarket evaluation of strategic options. Chapter 10 concludes, pointing to desirable future areas of research.

The book has a foreword by Harry Markowitz, Nobel Laureate in Economics for 1990, on whose portfolio theory the author draws (although the text itself makes little use of it).

Jagpal has produced a valuable addition to the literature that is likely to advance work on strategic marketing. The novelty of the book, however, does not lie so much in the application of microeconomic methods and models to marketing. This has been achieved in numerous specialized studies, usually in papers rather than in monographs. For example, constrained optimization, transaction cost economics, game theory, and optimal control concepts have found ample application in marketing. But the author goes beyond any *ad hoc* use of mathematical tools by developing a more comprehensive formal treatment of marketing decisions. He does so by integrating microeconomic modeling with behavioral approaches such as adaptation-level theory, information processing, and prospect theory. At this level, only Nguyen (1997) addresses the same set of issues and is equally reliant on methods such as dynamic optimization and control theory. For the analytically inclined marketer and economist, it is interesting to compare the two treatments of, say, price promotions or salesforce size and compensation.

It is particularly the integration of financial theory to define criteria for the success of marketing strategies that constitutes the unique approach of Jagpal's book. Where financial variables such as revenues, profits or cash flows have so far predominated in marketing planning, the author recognizes that most firms are owned by stockholders who can diversify risk across firms; however, diversification opportunities are limited within firms. The value of strategies must, therefore, be judged by the value they give to their owners, which is better conceptualized in terms of assets and portfolios than in those of 'crude' revenues.

The difference between the ways microeconomics and the various business disciplines analyze firms is traditionally assumed to lie in the different levels of abstraction and in the realism of assumptions. While the theory of the firm develops highly idealized models of revenue and cost functions, of pricing and investment decisions, or of the influence of market structure on competitive behavior, the fields of corporate finance, marketing, or organization deal with concrete firms whose decision-making often does not follow textbook prescriptions. The author's strategy lies in a two-pronged approach. On the one hand, he starts with 'pure' economic models and, on the other, he deals with *explananda* of marketing, such as the different advertising behavior of firms under different market structures. He then relaxes the premises on which models necessarily rest, and fuses them with behavioral assumptions, up to the point where these models become useful for the marketer interested in the predictive value of formal models but equally intent on case-by-case differences.

The book actually consists of two levels. In the body of the text, conceptual exposition and illustration by means of graphs and business cases prevail. 'Key Points' in the text are inserts that highlight claims and present summaries. The 'Notes' added to each chapter contain technical analysis of concepts and theories, proofs and derivations. Although a partial formalization of some points is proposed, the author does not make an attempt at a systematic axiomatization of marketing strategy.

Arguably, the largest weakness of the book lies in its use of the concept of uncertainty, one of the cornerstones of the whole exposition. Frank Knight introduced the classical distinction between measurable risk and unmeasurable uncertainty. In his sequel, neo-classical economists from Kenneth Arrow to Robert E. Lucas have been adamant that no theory of true uncertainty can be developed because economic reasoning would be of little value. However, the concept of uncertainly was, by and large, hijacked by James Tobin in the late 1950s and transformed into a concept of quantifiable risk. The emerging financial economists who would incorporate it into a model assuming rational expectations and efficient markets soon adopted the idea of probability distributions of outcomes derived from sufficient information. In this vein, Jagpal also subscribes to the reductionist identification of uncertainty with

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risk and, like most financial economists, has little to say about events that are not capable of quantitative actuarial assessment. Thus, he introduces 'additive uncertainty' (p. 158, 219) and 'multiplicative uncertainty' (p. 147f.). This may all be valuable in its own right. But does it lead to a better understanding of uncertainty in the Knightian sense, or only of calculable risk?

Sometimes the author falls prey to the abstractions and frequently unrealistic assumptions of economists. For example, the first of the 'Key Points' states that 'price is not a marketing tool when the firm operates in an industry with undifferentiated products' (p. 2). This may be true under classical oligopoly theory while in the real world, to which the kinked–demand curve model hardly applies, price plays a decisive role, particularly in the marketing of commodities such as crude oil, rice and electricity. Largely undifferentiated goods make cost a primary driver of prices, and pricing decisions are effected on the basis of cost, margins, and competitors' prices. Excluding price *tout court* is an undue oversimplification of commodity marketing. Moreover, for marketers more so than for economists, all products are likely to be differentiated to some degree, at least by the time and place of their availability or by their mode of presentation.

With regard to the choice of mathematical tools, a single remark may suffice. It is generally believed that in stochastic models the method of Lagrange multipliers, which the author largely neglects, is not applicable. However, it has been shown that computing the Lagrangian may, in certain stochastic cases, be analytically simpler than using dynamic programming (see Chow, 1996). This method may have been fruitfully applied in the determination of the optimum advertising budget under uncertainty or of optimum portfolio selection over time.

This book provides for demanding reading. It requires at least a good grasp of algebra at the level of intermediate microeconomics. The 'Notes', however, cannot be appreciated without a thorough training in calculus. Thus, it should be primarily placed on the reading lists of PhD courses. Notwithstanding the announcement on the back cover that it 'has been successfully class-tested in MBA and Executive Education programs', the book will, because of its analytical depth and formal presentation, only rarely appeal to the average MBA student or marketing practitioner. Its selected treatment of a few marketing issues rather than a presentation of an overview of the field will recommend it more to the advanced reader. This, of course, does not detract from its value for the academic marketing community.

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UNPAID PROFESSIONALS: COMMERCIALISM AND CONFLICT IN BIG-TIME COLLEGE SPORTS, by A. Zimbalist, Princeton, NJ: Princeton University Press, 1999, xii + 252 pp., $24.95 (cloth).

> The University of Kentucky's athletics program [is] the acme of commercialism and overemphasis, [including] undeniable evidence of covert subsidization of players, ruthless exploitation of athletes, cribbing on examinations, illegal recruiting, a reckless disregard for the players' physical welfare, matriculation of unqualified students, demoralization [i.e., corruption] of the athletes by the coaches, the alumni, and the townspeople.

If you guessed that our epigraph is taken from the latest headline-grabbing story about the abuses of major college sports, you would be wrong. The line was in fact written half a century ago by the New York judge who presided over a trial in which five University of Kentucky basketball players were convicted of point shaving during the 1948–1950 seasons, ten players on the team were found to have received illegal financial inducements, and legendary Coach Adolph Rupp was condemned for 'consorting with bookmaker Ed Kurd' (p. 10). Kentucky won two national basketball championships during that stretch. *Le plus ça change, le plus c'est la même chose.*

In *Unpaid Professionals*, Andrew Zimbalist offers a provocative and timely report card on the present condition of big-time college sports in the United States. Zimbalist obviously knows his subject; the depth of his analysis and his ability to bring evidence to bear from events occurring as recently as early 1999 are equally impressive.

Following the first chapter's brief overview of the origins and growth of intercollegiate athletics, *Unpaid Professionals* explores the major social and economic issues surrounding today's college game, including the education and compensation of student-athletes (Chapter 2); demands for equitable treatment of male and female athletes—and equal pay for their coaches (Chapters 3 and 4); the role of the media and its financial impact on athletics programs (Chapter 5); the influence of boosters, commercial sponsors, athletic shoe companies, and other outsiders (Chapter 6); the budgetary status of departments of intercollegiate athletics (Chapter 7); and the sumptuous lifestyles and perquisites of the National Collegiate Athletic Association's (NCAA) overlords (Chapter 8). A final chapter offers proposals for reform. *Unpaid Professionals* is well worth reading for its trenchant analyses of the ills plaguing big-time college sports and for its wealth of detail on the sometimes nefarious activities of those involved in the game.

We state our biases at the outset. Both of us have written extensively on the NCAA previously (Fleisher *et al.*, 1988, 1992). The second-named author served as a plaintiff's expert on damages in *Law* v. *NCAA*, a case tried in 1995 and ultimately upheld by the US Supreme Court, in which the NCAA was found guilty of violating the Sherman Act by unlawfully restricting the earnings of certain assistant coaches, and both of us have been involved in litigation over NCAA rules regulating the performance characteristics of the bats used in college baseball. In all of that work we have maintained consistently that the NCAA can best be analyzed as a cartel whose member schools collectively strive to behave like a monopolist in the output market and like a monopsonist in the input market.

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