Gary Miller’s *Managerial Dilemmas: The Political Hierarchy of Economy* covers a wide range of economic theories and uses examples from the time of the book’s publication. Managers of small businesses and group leaders will find this book refreshingly intense. Miller breaks down economic theories, discusses the key characters of the managerial decision-making process, and generalizes many different patterns in hierarchies using easy to understand examples from companies such as Sears, Ford, and Hewlett-Packard.

Part 1 begins by discussing the benefits and disadvantages of hierarchical structures and how they differ from authoritarian organizations and dictatorships. Miller discusses the difference between how an individual makes decisions and how a group makes decisions, using game theory. An individual makes decisions based on his or her own self interests, while a group makes decisions based on various externalities, cooperation among group members, and discussion of group efficiency. Each person must weigh his or her own best interest against the group’s best interest, and a trade of transaction costs must occur for the group to make a decision. Transaction costs are those things transferred from one side to the other when making a decision; they can include money, time, information, or work effort.

Miller continues by giving a short history of contracts, discussing them within the confines of hierarchical decisions. When small groups of people are involved, “in the presence of transaction costs” (p. 57), it may be more useful to the specific situation to utilize contracts instead of a hierarchical decision-making process. However, in larger groups the lack of information asymmetry causes individuals in the group to fight for the transaction costs. Information asymmetry is the ability for one negotiating side to know what the other side receives as benefits from a decision. Infighting for scarce resources causes negotiations to break down. This breakdown of negotiations leads one to believe that a hierarchical decision-making process is more efficient than the alternative. However, in Chapter 3, Miller discusses problems with voting and majority rule. Along with majority
rule come individual biases and ways for the system to break down and be controlled by a select few.

Part 2 of *Managerial Dilemmas* reveals the different thought processes managers and supervisors go through when making decisions. Although the hierarchical decision-making system is quite efficient, externalities and the likelihood for individual laziness make decision making difficult regardless of the system used. Miller goes on to discuss the benefits and drawbacks of a piece-rate contract system. This system pays workers per price or unit of production. The main drawback of this system is that employees believe their employers will reduce the price per unit in order to keep overall salaries low. Miller uses the example of the Lincoln Electric Company to show that if the manager does not change the price per unit, the result is that workers are highly motivated (pp. 116–118). Miller then reviews the principal agents, incentives, and hidden agendas within a team setting. He ends the section by examining the limits, misrepresentation, and biases of information in a hierarchy. Information sharing, or lack thereof, can be the one thing that causes efficiency to break down within a hierarchical system.

Finally, Part 3 discusses cooperation and leadership, engaging the reader with the various vertical dilemmas involved in managing cooperation. Keeping in mind the tendency for the individual worker to shirk his or her duties, the supervisor must manage each employee’s reasons and motivations for doing his or her job. Cooperation cuts down transaction costs by building confidence in the group. Miller then discusses the motivators for individual cooperation. Since it is costly to motivate individual employees, the author suggests utilizing cost cutting, team building exercises as a way to enhance cooperation and promote internal leadership. Miller closes the section with a discussion of the perfect hierarchical system, one in which all information is shared and decisions are made with trust and transparency. Because this situation does not exist in reality, the supervisor must effectively motivate everyone to work together to the best of his or her ability while keeping costs down.

One strength of Miller’s book is his use of clear examples. Miller utilizes real-life examples from commonly known corporations that help the reader clearly see what the author is trying to convey. Miller also combines graphs, charts, and raw data to give readers an enhanced view of the example discussed. In Part 1, Miller achieves the perfect blend of theory, example, and accompanying charts to explain the topics discussed. Translating the language of political economy into relatable material is one of Miller’s strong suits.

Another strength is Miller’s linear explanations. Miller shows his mastery of the topic by eloquently tying each chapter together. His repetitiveness is important for the beginning political economist because it reinforces theories that are difficult for the average reader to understand. *Managerial Dilemmas* gives the reader a clear vision of the different externalities and factors that managers must deal with when making important decisions regarding their organizations. By the beginning of Part 2, the reader can clearly see that Miller has built a foundation, and he continues to construct a strong structure capable of holding up this foundation. Miller’s continuous references to game theory, Nash equilibrium, and prisoner’s dilemma games make the chapters easy to follow and tie together.

On the other hand, as the book progresses Miller loses sight of his vision for straightforward, concise examples. The charts that accompany each chapter become too much information to be absorbed at one time and distract the reader. Several chapters could be shortened and as such would be more effective in conveying information. In several instances, a whole section of text could have been easily explained in a sentence or two. Instead, the information presented becomes less concise and the examples become diluted with extra data. For example, Chapter 7 references the conflict between managers and employees and their respective hidden motivators (pp. 146–151), and Miller’s examples are clear enough without the accompanying charts.
Miller also could have used less unnecessary economic jargon, which increases over the course of the book. He seems not to have considered the beginning economist or the layperson. The blending of algebraic equations and text make the information presented difficult to comprehend, and having to look up definitions every few words interrupts the smooth flow of reading. Some important content can get lost. This is an excellent book for the advanced public administrator or manager and for advanced political economists, but Miller would do well to think about a younger, less experienced audience when writing his next edition.

Despite the book's drawbacks, teachers of public administration at the undergraduate and graduate level will find it useful. Introductory public administration classes can use this book to examine how groups work in academic settings. Examples, particularly regarding hidden action and information, can be easily adapted for classroom demonstration exercises. Advanced public administration classes can use the examples from the section on the possibilities of collaboration as case-study discussions. Such discussions can then be translated into mock job interviews that will prepare students for interviewing for management-level jobs. Teachers of public administration, public affairs, and public policy alike will appreciate how Miller’s book highlights group dynamics in the decision-making process. Whether for an in-class group project or a work project that spans agencies, readers will learn from Managerial Dilemmas that different actors have different motivations when making decisions.

REFERENCES


ABOUT THE AUTHOR

Christopher Rothermel holds a Master of Public Administration and is a graduate of the University of the District of Columbia. He uses his extensive training and interpersonal skills to improve businesses and provide assistance to solve problems.

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