Towards A Better Understanding Of The Economics Of Software

Software As Capital looks at software development through the eyes of a capital theorist, an economist fascinated by the constant evolution of new and better tools and processes. It asks, what is really happening in software development at the concept level? Why has programming practice evolved as it has? Why are certain tools and methodologies superior to others? What will it take to bring dramatic improvement to the industry? Answers lie in capital theory and the evolution of capital goods.

The concept that designing capital goods is a social learning process leads to interesting conclusions about software process models and methodologies. The book examines the main failing of the software industry when compared to other industries: the absence of an extensive division of labor for software components. It sets out the reasons for the problem, an outline for the solution, and the benefits that will result from its solution.

My Personal Review:
The best part of this book was Dr. Baetjers explanation of software as a capital good and the knowledge component of capital goods. Drawing on a rich economic tradition, he indicates that software provides a clear example of how the value of capital goods rests in embodied, unarticulated knowledge. Not only does he make this argument convincingly, he makes it clearly. I am neither an economist nor a software engineer, but found even the most difficult economic concepts relatively easy to grasp because of how he articulates them; they are made clear and concise without being dumbed-down for a lay audience. Dr. Baetjer brilliantly applies earlier theories of capital goods to the new field of software engineering.
If this sort of material interests you, I recommend:


Thomas Sowell, Knowledge and Decisions, 1980 (or the 1996 edition)

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Software as Capital: An Economic Perspective on Software Engineering by Howard Baetjer Jr. - 5 Star Customer Reviews and Lowest Price!