References


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This book is a collection of thirteen essays on the economics of property rights. The essays have been grouped in six parts, each of which begins with a short introduction by the editors. In the first part, Edwin West surveys the historical background of the concept of property rights. Yoram Barzel discusses the literature on property rights within business firms. In the second part, Thráinn
Eggertsson explains the well-known economic consequences of open access, known as “tragedy of the commons”. Louis De Alessi summarizes empirical studies on overexploitation of resources. In the third part, Terry Anderson and Peter Hill explain the evolution of private property in America’s nineteenth-century West. Gary Libecap illustrates private contracting for property rights with case studies on the Brazilian Amazon and North American oil fields. David Haddock discusses how force and threat can be used by private parties to define and protect property rights. In part IV, Dean Lueck examines several applications of legal first possession rules to establish property rights. Fred McChesney points out that the government can define and enforce property rights to prevent the tragedy of the commons, but it can also use its coercive power to create new inefficiencies. In part V, Bruce Yandle compares Pigouvian taxation and Coasean bargaining as alternative means to solve the externality problem caused by pollution. Harold Demsetz argues that externalities between two firms could be eliminated if they integrated into a single firm. Finally, in part VI Richard Epstein discusses several cases regarding the government taking of private property for public use. William Fischel addresses the issue of regulatory takings in the context of zoning.

The book is a very interesting and accessible introduction to selected topics that have been addressed in the literature on property rights. Hardly any knowledge of economic theory is required to understand the text. There is no formal analysis, even though some simple formulae could have significantly streamlined and clarified the discussion in several instances. For example, the explanation of the overfishing problem on pp. 61–68 (including two tables with numerical examples) is quite cumbersome and could be made precise in a few lines using first-order conditions. When the authors speak of a “model” (e.g., see chap. 9), they usually mean a figure showing a marginal cost and a marginal benefit curve. Of course, this falls short of what economists usually call a model. To be sure, the insight that marginal benefits and marginal costs can be decisive is an important achievement of economics, and for legal scholars this might still be a new way to frame problems. However, in the last decades substantial progress has been made in economic theory. In particular, powerful game-theoretic tools have been developed in information economics and the theory of economic incentives, which are relevant to the property rights issues but unfortunately are hardly used in the present book. Moral hazard (hidden action, hidden information), adverse selection, the hold-up problem, and incomplete contracting are obviously among the main economic characteristics of most topics addressed in the book. Unfortunately, there is no systematic treatment of the topics in the light of such well-known categories.