Chapter seven in the book deals with policy responses to globalization, especially changing tariff policies in a worldwide comparative perspective. It provides a large panel analysis to identify the underlying fundamentals driving tariff policies in the core and the periphery over the period 1870–1938, and delivers fascinating results: similar to the “grain invasion” (O’Rourke) into Europe, the fear of deindustrialization is a major driver for the upward trend in tariffs in the periphery (which somewhat modifies the suggestions from Chap. 5 above). And geography mattered: where nature did not provide shelter against the transport revolution, tariff increases were higher. Again, there is plenty of scope for further research, especially into issues of strategic tariff policies within the periphery and in periphery-core trade relations. Also, the empirical analysis leaves aside possible structural breaks in the estimated relationships prior and after World War One, or only touches upon systematic differences between core and periphery behaviour.

To sum up, the book contains a thorough analysis of how globalization shaped the development of the poor periphery up to 1950, based on an impressive wealth of data. It is a vigorous attempt to put the long-run laws of motion in the periphery back on the agenda of economic research. Williamson’s book is essential reading for students of the world economy, especially those interested in the impact of the rich on the poor.

Nikolaus Wolf, University of Warwick, United Kingdom

DOI 10.1007/s00712-006-0250-2


Timothy Besley’s book is a by-product of his Lindahl Lecture which he delivered at University of Uppsala in 2002. Erik Lindahl was a disciple of Knut Wicksell, and his doctoral dissertation of 1919 can be seen as a formal procedural application of Wicksell’s “Principle of Just Taxation” (1896). Lindahl and mainly Wicksell are also at the core of Besley’s Lecture book. The book contains four chapters accompanied by six pages of final remarks.

Chapter 1 of Besley’s book starts with a record of the recent developments of indicators of government performance, such as government growth, protection of property rights, corruption, and voter turnout in democracies, autocracies, high and low income countries, resulting in the question: What is good government? In economics this question has been approached quite
differently by welfare economists as Pigou, Meade and Mirrlees as compared to political economists as Buchanan, Stigler and Krueger. Besley rejects the welfare economic approach of good government and favours a political economy view, more specifically an approach close to that of the Virginia School of public choice and its subsequent developments. He stresses, however, that good government is not only a problem of incentives, but also of selecting governments (p. 43) and then concludes: “This is not a project about restraining government, but of understanding the institutional pre-conditions for government to work.” (p. 44). Apparently Besley wants to distance himself from the conservative bias which the Virginia School allegedly has.

Contrasting Francis Bator’s seminal article “The Anatomy of Market Failure” (1958) Besley develops an “Anatomy of Government Failure” in the second chapter of his book. He compares in an interesting way the Paretian welfare economic approach in which attaining a Pareto optimum outside the social welfare function appears as a government failure with the Wicksellian approach in which a switch from an inefficient status quo to a Pareto efficient allocation outside unanimity is a government failure while a Pareto improvement from the status quo falling short of the Pareto frontier appears as a success.

I should like to emphasize an issue which is implicit in Besley’s models, but which could be made more explicit, namely that unanimity alone is not a sufficient test for an efficient allocation of resources. Much depends on the selection of the voters in a decision making procedure under unanimity rule. Most important, in my view, is institutional congruency, i.e. the requirement that the decision makers are at the same time beneficiaries as well as tax payers. Most of the strategic behaviour in Besley’s subsequent models of Chaps. 2–4 arises because not only unanimity is replaced by simple majority rule, but also because institutional congruency is violated and the circles of decision makers, beneficiaries and tax payers fail to coincide regionally, functionally or temporally. If both criteria would have been accounted for in the whole book, the relevance of the Wicksellian benchmark would have come out more explicitly. I concede, however, that this might be a question of personal taste.

Common pool financing, which is treated in Chap. 2 of Besley’s book serves as a nice illustration of the consequences of the principle of institutional congruency. The author shows that if local representatives can finance the projects for their respective districts out of the pool of common tax revenues, i.e. if institutional congruency is violated, all representatives will spend too much. This inefficiency can be given a dynamic dimension if the