property rights and cost distribution (equity and efficiency); mechanisms to obtain revenue-neutral auctions; economic market failure; and permit markets and source location. The final section of this chapter integrates the analysis with regard to the development of a practical system which meets the criteria which he previously outlined. Chapter 4 (“US permit markets”) provides an overview of US programs which are discussed under headings of design, performance, and evaluation. The eight programs reviewed in this chapter concern either air pollution (emissions or regulated residuals, lead, CFC/Halon trading programs, acid rain programs, and regional air quality management programs) or water pollution (Fox River program, Dillon Reservoir, and Tar-Pamilico River Basin). Chapter 5 (“Lobbyism: US interest groups”) provides an overview of the political economy of US environmental regulation. The objective of Chapter 6 (“Potential CO₂ market”) builds upon the theoretical analysis and empirical evidence of the previous chapter to assess the potential for emissions trading and CO₂ taxation in Denmark, the European Union, and globally. He examines the Danish situation and the potential market failure to make his proposal. In the case of CO₂ regulation, a CO₂ permit market based on the US experience (including “worst case scenario”) with free historical emissions should be applied for organized interests such as industry, electric utilities, and environmental organizations. In the case of non-organized interests, such as households and the transport sector, there should be a CO₂ tax based on the European Union experience.

The book is a well-organized survey of the subject. It will be helpful to those policymakers who need it most and useful for economists and public choice specialists who might also find it an important resource for graduate classes.

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Training as an economist at the University of Virginia, service in important policy-making positions during the Reagan administration (chairman of the Federal Trade Commission and, later, director of the Office of Management and Budget), and two unsuccessful runs for the U.S. Senate provide the wealth of experience on which Jim Miller draws to diagnose and to offer substantive remedies for the problems plaguing American democratic
processes at century’s end. Miller’s key point is simple, but powerful. Placing himself squarely within the camp of the Virginia school of political economy that nurtured his intellectual development, Miller argues that, in contrast to the Chicago school’s insistence that political markets are every bit as efficient as ordinary markets, the natural and contrived advantages of incumbency impede significantly the workings of a competitive political marketplace. Those advantages (about which more later) raise barriers to entry that insulate incumbents from electoral challenges and bestow policy discretion that can be used self-interestedly to expand the size and scope of government beyond the Pareto optimum. When it comes to politics, “what is” is not necessarily efficient.

Chapter 1 of *Monopoly politics* rehearses the facts of government growth in the post-World War II period. The Clinton administration’s deep cuts in defense spending and a looming budget “surplus” notwithstanding, the tax and regulatory burden imposed by federal, state and local governments now consumes nearly 50% of U.S. GDP. “Tax freedom day”, the hypothetical date by which the average citizen has paid his tax bill and can begin working for himself, marches steadily onward: it was 7 May in 1998, up from 3 April in 1950. The average federal tax rate (35%) exceeds by a factor of almost two estimates of the tax rate that would maximize economic growth (22%).

If a government that is both too large and too intrusive is the problem, what is the solution? Before getting to policy recommendations, Miller reviews, in Chapter 2, the efficiency properties of competitive commercial markets. For readers not exposed to the public choice model, that discussion sets the stage for thinking about politics in the same terms. Chapter 3 compares voting for candidates with decisions to buy more mundane products, draws analogies between political advertising and commercial advertising, and argues that election laws serve much the same function in political markets as the antitrust laws do in ordinary markets. Taken together, these chapters emphasize that while free and open competition is widely seen as desirable in commercial markets, similar standards are rarely applied in evaluating the performance of political markets.

The unique features of political markets are described in Chapter 4. The implications of individual versus collective decision-making, the median voter theorem, and the principal-agent relationship between voters and their elected representatives are laid out. Miller puts particular stress on fixed terms of political office and the inapplicability of the laws on fraud and deception to political speech as key factors that differentiate political markets from their commercial counterparts. Firms that lie to consumers face heavy sanctions; politicians who lie to voters become president. These observations lay the foundation for a summary of the debate between proponents of Chicagoan