
In recent years there has been a growing interest in applications of public choice theory and political economy to the European Union. One of
the first such attempts was by Frank Vibert, who in his 1995 book *Europe: A Constitution for the Millennium*, applied the principles of constitutional economic theory to the design of the EU constitution. Work in this area was of such general interest that the journal *Constitutional Political Economy* devoted an entire issue to papers that discussed the constitutional structure of the EU (for an example, see Sobel, 1996). More recently, political economy has been used to understand many institutional structures within the EU, including the behavior of the European Central Bank (see Mafi and Sobel, 2003).

In his book, *The Political Economy of the European Union: Institutions, Policy, and Economic Growth*, Gert Tinggaard Svendsen attempts to present a public choice argument that the current institutional structure of the EU makes it vulnerable to interest-group lobbying, and that because of its poor institutional structure, the EU might harm the economic performances of member nations. The fact that the book is dedicated to the late Professor Mancur Olson is a strong reflection of the theoretical bent taken by the author in his analysis. In this regard, the book reminds me of the public choice work that has been done on the United Nations and its susceptibility to government failure (see Sobel, 1994).

Despite its broad title, the book narrows in on essentially two major areas: social capital and corruption, and greenhouse gas emissions trading and environmental regulation. The reason for this focus is that the author has been working heavily in these two areas on grant-related research.

The book is rather short, containing only four real chapters (not including the introductory and concluding chapters). The first main chapter (Chapter 2) is a brief review of the major theories and history of the public choice school. A section of this chapter goes through the basic supply and demand model of a tariff (or quota) and discusses the welfare implications and incentives for lobbying. The chapter then goes on to discuss collective action problems and theories of institutional economics building heavily on the works of Mancur Olson and Douglass North. A significant part of this chapter is the attention paid to defining and defending the notion of social capital, which is a concept that forms an underlying foundation for the book. Svendsen presents Coleman’s definition of social capital, which is “the ability of people to work together for common purposes in groups and organizations” and makes the claim that the key cultural element in social capital is trust. The author then goes on to discuss how social capital is a critical element for economic growth.

The next chapter discusses the history and institutional structure of the EU. Among the many items discussed are the incentives to free ride on the cost sharing arrangements, the voting rules, and the different governing bodies