

It should be apparent from the above summary that the volume under review contains a quite heterogeneous collection of contributions, thematically as well as in terms of quality. It is indeed rather difficult to discern any systematic organizing principle that may have guided the selection of articles or may have informed the order in which they are arranged in this volume. Readers who turn to the book expecting to find a balanced coverage of the various fields of inquiry explored by Hayek as an economist and social philosopher may well be disappointed. Yet, there is certainly enough insightful analysis and stimulating arguments in this book to make its reading rewarding.

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The Noblest Triumph: Property and Prosperity through the Ages

Tom Bethell

New York: St. Martin's Press, 1998, 378 pp.

Often the only time I find for reading is on airplanes, and so it was on a long flight from New Zealand that I opened Tom Bethell's book. The occasion was all the more fitting because I was returning from a conference on property rights where a government official told the audience that New Zealand had no tradition of property rights, but was founded on the notion of entitlements granted (and taken away) by the government. Boy, could that official learn something from Bethell!

The Noblest Triumph provides a history of property rights and delivers what the subtitle suggests by documenting how property rights are both necessary and sufficient for prosperity. Each section of the book contains two chapters preceded by a brief, but pithy introduction. The first three sections document the philosophical, economic, and legal foundations for property rights. Bethell walks the reader through the economic logic of incentives and the perils of the commons using both evidence and analogies to persuade the nonbeliever.

For those who do not need converting to the property rights paradigm, the book is worth the read simply for its numerous quotes and documentation. If political philosophers or political economists from Adam Smith to Jeremy Bentham, from Karl Marx to Friedrich Engels, or from Ronald Coase to Milton Friedman have said something important about the link between property rights and prosperity, Bethell has read and quoted it. Those of us less willing to do the dirty digging into original sources owe a great thanks to Bethell for his thorough research.

Having praised Bethell for his synthesis of the property rights literature and for providing evidence on the link between property and prosperity, let me do my duty as a reviewer and highlight the shortcomings of *The Noblest Triumph*. Perhaps because Bethell is a journalist and not an economist, the main weakness of the book is that it lacks keen analytical insights. By presenting private property as an all-or-nothing institution, Bethell ignores the importance of transaction costs and contracting. In Bethell's context, the existence of private property is good; the lack thereof is bad. For example, Bethell uses the example of metering electricity in his apartment complex of a bad property rights regime. But what about the costs and benefits of metering individual consumption? As University of California at Los Angeles economist Harold Demsetz (1967) has pointed out, defining and enforcing property rights only makes economic sense if the benefits exceed the costs. If an apartment house has central heating or cooling, it may be expensive to meter individuals even if the result is overuse of the energy commons.

In *The Noblest Triumph* any commons is a tragedy waiting to be corrected by privatization. Bethell follows economic logic to its extreme, believing that exploiters lurk behind every tree. But abundant examples of well-functioning commons are now well known thanks to people such as Elinor Ostrom (1990) who have examined the details of social organization in small collective groups. Just as family refrigerators usually don't have private shelves for each family member, American Indians did not have private property rights to the fruits of the communal hunt (see Anderson 1995) and Maine lobster fishers do not have private property rights to their fishing grounds (see Acheson 1993), but customs and culture and partial rights control access and restrict overuse of the commons. Reading *The Noblest Triumph*, one would think that each of those cases would result in tragedy.

Or take the case of the modern firm. As Coase (1937) has explained, capitalistic firms are mostly run by command-and-control. From reading Bethell, one would predict that the firm should fall by the wayside in deference to piece-rate contracting between many independent producers. But of course transaction costs matter, making it necessary to trade off the gains from piece-rate contracts with the costs of negotiating those contracts. In a world of positive transaction costs, property rights are not so black or white as Bethell describes them. In short, for the reader familiar with the rich literature on the interface between transaction costs and property rights, portions of *The Noblest Triumph* will be a disappointment.

The Noblest Triumph also falls short with its specific applications. For example, Bethell's chapter on the environment does not even do a good job of surveying the abundant example of free market environmentalism at work. Countering the idea that market failure runs rampant over the environment are hundreds of examples of property rights encouraging stewardship of natural resources. Bethell does present the well-known

case of the Audubon Society's Rainey Wildlife Sanctuary and the elephant programs in southern Africa. But the elephant example depends on communal rights that he generally shuns throughout the book. There are better data in support of Bethell's property rights thesis such as the fact that deforestation rates, pollution levels, and other environmental indicators are lower in countries with the rule of law and property rights. Around the world, envirocapitalists are using property rights to enhance stream flows, reduce overfishing, restore wildlife habitat, and save endangered species. Bethell could have added credibility to his argument if he had used these examples.

These criticisms notwithstanding, *The Noblest Triumph* is must reading for all serious property rights scholars. Though the book lacks analytical sophistication, Bethell's careful survey of the historical antecedents and contemporary fruits of private property ends with the hope that "governing classes come to see the domestic and institutional roots of their own difficulties" (p. 341). If the government officials at the conference referred to at the outset of this review do not get Bethell's important message, then New Zealand's economic revolution begun in the late 1980s will be short lived. Bethell is optimistic that "the hundred-year experiment in socialism is over" (p. 341). If it is not, it will be because people do not understand the essential link between secure property rights, what Bentham called "the noblest triumph of humanity over itself," and prosperity.

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The Story of American Freedom

Eric Foner

New York: W.W. Norton, 1998, 422 pp.

In the introduction to his new book *The Story of American Freedom*, Eric Foner, professor of history at Columbia University and past president of the Organization of American Historians, writes: "No idea is more