

with another (e.g., regulatory reform). A policy of free trade, as Migué points out, imposes restraint on government while strengthening, rather than weakening, other means of restraining government power. In his words:

Without the power to close their borders to foreign competition, national governments discover that most other tools formally available to them to pursue political objectives are of little value, because resort to such instruments becomes too costly.

Migué develops his proposition concerning the close relationship between federalism, free trade, and control over government excesses with theoretical discussion and illustrative examples. He does a nice job, for example, challenging the conventional view that tax efficiency requires closing off opportunities to escape taxes. Following Geoffrey Brennan and James Buchanan (1980), Migué points out that this view assumes that government requires a given amount of revenue, and the objective is to raise that amount of revenue with the least distortion to the economy. The problem is that public demands are as insatiable as private demands, and closing off opportunities to escape taxes creates opportunities for government growth that are not overlooked. Free trade and federalism offer escape opportunities that impose discipline on political appetites.

Migué supports his theoretical discussion with examples of the type of taxes one would expect to become more prominent under a regime of free trade and federalism (taxes that do a better job pricing the use of government services), and of the responses one would expect from government to counter the discipline of free trade and federalism (such as policy harmonization in the European Union).

Though the idea is not explicitly developed, Migué's work hints at the possibility of a virtuous circle of freer trade and more effective constraints on government power, a circle that may already have been initiated by technological advances. Despite the best efforts of politicians, public bureaucrats, and their special-interest clients, technological advances—and the economic globalization these advances are helping to create—are making it easier for productive citizens to escape the clutches of those who specialize in transfer activity. Just as businesses are increasingly facing global competition from other businesses, governments are finding themselves increasingly having to compete with other governments, and finding that the most effective way of meeting this competition is with policies that facilitate the production of wealth instead of with policies that redistribute wealth (see McKenzie and Lee 1991). The liberalization of international trade, while admittedly advancing with less haste and more contaminating side agreements than is ideal, is an indication of the competitive discipline being imposed on governments. And with freer trade comes a more effective federalism, which, as Migué argues, makes governments more responsive to the general interest served by efficiency and less responsive to the special interests served by redistribution. This

can lead to even more pressure to liberalize trade, and the virtuous circle continues.

The point is not that economic nirvana is right around the corner. But the argument that positive pressures are at work in the political economy is worth making, both because it is true and because it takes some of the pessimism out of public choice analysis. Alfred Marshall once said, "Without hope there is no enterprise," and few enterprises are more important than controlling government. Migué has contributed admirably to that enterprise.

Although *Federalism and Free Trade* is a small book, it offers the reader a big return in insight and optimism.

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Why Perestroika Failed: The Politics and Economics of Socialist Transformation

Peter J. Boettke

London and New York: Routledge, 1993, 199 pp.

This compact, thoughtful, and ideologically charged book might as easily have been entitled *Why Socialism Fails*. It is an elaborate argument about economic theory, not an account of the day-to-day reality of Mikhail S. Gorbachev's reforms. It was written in the placid atmosphere of the New York University department of economics, not the grittier settings where Gorbachev's stop-and-go programs worked their tumult. The book's index notes 11 pages citing F. A. Hayek, more than the combined citations of the principal Soviet architects of economic reform: Leonid Abalkin, Abel Aganbegyan, Stanislav Shatalin, and Grigory Yavlinsky. Nikolai Ryzhkov, prime minister for most of the *perestroika* period, merits just one mention; his successor, Valentin Pavlov, does not appear. For 146 pages of text there are 47 pages of notes, but Russian sources are cited only in translation. The prose will gladden the heart only of a fellow economist: "In a large number setting individuals treat rules as parametric, similar to how agents within the perfectly competitive model of general equilibrium treat price as a given."

Yet to a former Moscow correspondent whose observation of *perestroika* was up-close and innocent of economic theory, Boettke's book seems a persuasive explanatory frame for the Gorbachev era. Boettke is