

Standard's business practices or economic performance. Instead, it decided the case on the more narrow issue of whether Standard Oil of New Jersey was a "trust" or "combination" in restraint of trade. Under the legal precedents, it was. Guilty; divestiture ordered. And while the Supreme Court announced that dominant firms should be judged by a "rule of reason," it never applied that rule to the evidence in the case.

These are not dry academic points. They are crucially important to any overall evaluation of the firm in the marketplace and to an understanding of any appropriate "monopoly" policy. Unfortunately, Chernow misses it all very badly. Still this is a blockbuster book that every student (and professor) of business history would do well to study carefully. □

D.T. Armentano, professor emeritus of economics at the University of Hartford, is the author of Antitrust and Monopoly: Anatomy of a Policy Failure.

The Great Betrayal: How American Sovereignty and Social Justice Are Being Sacrificed to the Gods of the Global Economy

by Patrick Buchanan

Little Brown & Company • 1998 • 320 pages
• \$22.95

Reviewed by James Bovard

Patrick Buchanan has given America one of the most eloquent theological tracts of recent decades. Unfortunately, when Buchanan, a two-time presidential candidate, takes his theological views into economic areas, the result is a recipe for poverty, conflict, and subjugation.

The subtitle of Buchanan's book is "How American Sovereignty and Social Justice Are Being Sacrificed to the Gods of the Global Economy." Buchanan seems obsessed with demons—denouncing economist Frederic Bastiat as "heretical," denouncing elites for betraying America, denouncing foreigners at every opportunity. He seems far more interested in the proliferation of enemies than with

the simple mechanics of economic exchange.

In a chapter entitled "Anatomy of a Murder," Buchanan uses the American auto industry as the consummate example of the evils of American trade policy. He declares: "The U.S. auto industry can justifiably claim to have been a victim of abuse, neglect, and abandonment by the government of the United States." The one lesson from this chapter is that no industry can be held responsible for its own incompetence and abuse of loyal customers.

He begins by declaring that Volkswagen Beetles were the first foreign auto to get significant market share in the United States—and then stresses Hitler's role in creating the Volkswagen corporation and the fact that the company (like many German corporations) relied on slave labor from concentration camps during World War II. Readers are left with the impression that all Volkswagens are forever tainted by this Original Sin and that anyone who bought a Beetle or any foreign car was morally inferior to people who bought American-made cars.

One issue Buchanan did not find space for is quality and reliability. *Consumer Reports* in the early-to-mid-1980s repeatedly flogged the Big Three American automakers for the high rate of defects in their new cars—at a time when Japanese companies had far better quality control. Buchanan, like other protectionists, ignores how foreign competition improves the quality of domestic products.

Among other notions of unfair trade, Buchanan claims that foreigners unfairly benefit because they are not forced to comply with the same regulations and pay the same taxes that American companies face. He has shifted from his earlier beliefs that government must slash the burden of regulations and taxes on American citizens and American businesses—and is now on a holy crusade to "level the playing field" by imposing more taxes and burdens on foreign businesses. The fact that many European companies face heavier tax and regulatory burdens than do U.S. companies somehow never gets mentioned. Even were that not so, why should foreign companies be considered cheaters if their nations' tax systems are not as idiotic as is the U.S. Internal Revenue Code?

Buchanan's program is nothing new. American protectionists have always found some moral pretext to damn imports. In the 1820s, protectionists proclaimed that trade between England and America could not be fair because England was advanced and America was comparatively backward. In the 1870s, protectionists announced that trade between America and Latin America could not be fair because America was comparatively rich while Latin American countries were poor. In the 1880s, protectionists warned that trade could not be fair if the interest rate among the trading nations differed by more than 2 percent.

In practice, fair trade means protectionism. Yet every trade barrier undermines the productivity of capital and labor throughout the economy. A 1979 Treasury Department study estimated that trade barriers routinely cost American consumers eight to ten times as much as they benefit American producers. A 1984 Federal Trade Commission study estimated that tariffs cost the American economy \$81 for every \$1 of adjustment costs saved. According to the Institute for International Economics, trade barriers are costing American consumers \$70 billion a year—equal to over \$1,000 per family.

The myth of fair trade is that politicians and bureaucrats are fairer than markets and that prosperity is best achieved by arbitrary political manipulation, rather than by each individual pursuing his own interest. But government cannot make trade more fair by making it less free.

Should Pat Buchanan have dictatorial power over what other Americans are permitted to buy from 96 percent of the world's population? This is the question by which his doctrine must be judged.

James Bovard is the author of The Fair Trade Fraud.



Politics By Principle, Not Interest: Towards Nondiscriminatory Democracy

by James M. Buchanan and
Roger D. Congleton

Cambridge University Press • 1998 • 191 pages
• \$49.95

Reviewed by William H. Peterson

Said Plato: "Morality determines politics." Which raises a question 2,500 years later for Nobel laureate James Buchanan and fellow economist Roger Congleton: Does politics determine morality?

Their answer in an era of no-holds-barred welfare state politics is, in the main, yes. They argue that the very logic of majoritarianism inevitably leads to unequal treatment and discrimination by the state. Coalitions push the interests of their members at the expense of others. Politics and "takings" become virtually synonymous.

Unprincipled politics? The charge is not new. Ambrose Bierce defined politics as "the conduct of public affairs for private advantage." Oscar Wilde saw democracy as the "bludgeoning of the people by the people for the people." Yet America seems to cling to politics over character. The high approval ratings of scandal-ridden President Clinton come to mind.

A kind of political amorality marks our times. Politics becomes a secondhand religion, an odd mixture of opportunism, apathy, cynicism, relativism, and deception. It sinks into a contest over spoils, plundering many to benefit a few, all via political spin and tax coercion.

Buchanan's insights into this unholy process helped him win the 1986 Nobel Prize in economics, long after he and colleague Gordon Tullock forged the Public Choice school with their 1962 book, *The Calculus of Consent*. Their theory holds that self-interest guides voters and officials in their public as well as private choices, and that government naturally caters to powerful "rent-seeking" groups.

"Rent" in public choice jargon means a special grant: in a sense, a sale of a government favor enabling the beneficiary to prosper