

lively style, avoiding technicalities and jargon, even avoiding footnotes and referencing in the text. It contains good food for thought for students who have maybe just taken their first course in introductory macroeconomics. For readers of Frey's earlier opus, not much is new here, but as an introduction to this particular tradition in economics, it serves its introductory purpose well.

#### REFERENCES

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*Free Trade Under Fire*, by Douglas A. Irwin (Princeton University Press, Princeton & Oxford, 2002), pp. x + 257.

*Free Trade Today*, by Jagdish Bhagwati (Princeton University Press, Princeton & Oxford, 2002), pp. ix + 128.

In late-1998, an international survey was conducted on popular opinion about trade. When asked 'Is protectionism or free trade better for our country's prosperity?', Americans favoured protectionism by 56 to 37 per cent. The same survey conducted in Australia found that an even higher proportion of Australians than Americans were protectionists – despite the fact that trade makes up nearly twice as large a share of the Australian economy than in the USA. In 1998, Australian protectionists outnumbered free traders by nearly two to one.

Yet in the mainstream economics profession, probably no position is more broadly accepted than the simple notion that free trade boosts social welfare. It is with this case that Douglas Irwin's *Free Trade Under Fire* begins. In making the argument, he cites many of the most famous nostrums about trade: the theory of comparative

advantage as the best example of a 'true and non-trivial proposition' in the social sciences (Paul Samuelson); that protectionism 'provides large benefits to a small number of people, and causes a very great number of consumers a slight loss' (Vilfredo Pareto), that a country should not throw rocks in its harbours simply because others have rocks in theirs (Joan Robinson), and that 'No nation was ever ruined by trade' (Benjamin Franklin).

Irwin articulates the free trade position with a lucidity that makes the first few chapters of the book equally suitable for either a reader coming to the issue for the first time, or a professor priming for an introductory lecture on the benefits of trade. Although his examples are predominantly American, Irwin places free trade in a larger historical context – revealing the research that went into his 1996 work *Against the Tide: An Intellectual History of Free Trade*. He is careful to cover the benefits of free trade from both a developed and developing country perspective, and to point out the risks in basing the case for free trade on higher employment, rather than on national income. Irwin also employs some less conventional arguments, as for example when he draws attention to fact that tariffs cause welfare losses not only by raising prices, but also by reducing the range of available products – an argument doubtless familiar to many an Australian auto enthusiast.

However, the meat of Irwin's book is in his discussion of recent developments in trade policy. He makes an effective case against targeted trade adjustment assistance, arguing that there is no reason not to provide equal assistance to those who lose their jobs as a result of technological advances. He is highly critical of the 'privatisation' of USA trade policy through Section 201 and 301 actions. He takes fire at the politicised morass of today's anti-dumping actions (recent figures show that a record 348 anti-dumping actions were initiated in 2001). Finally, Irwin meticulously makes the argument – with detailed discussion of several of the relevant World Trade Organisation (WTO) cases – against the use of trade agreements as a tool to advance environmental and labour standards.

While Irwin effectively answers the main claims of anti-globalisation protestors, one feels the absence in this section of the keen historical analysis presented in the earlier pages. Why does the WTO attract the ire of so many citizens? Why has the WTO, along with the International

Monetary Fund, the World Bank, and the economics profession more generally, been so ineffective in winning the popular debate over trade? Perhaps, as a player in the debate, Irwin is unable to step back and analyse these issues as he does with the history of thinking on trade in the 19th and 20th centuries.

Jagdish Bhagwati's *Free Trade Today* consists of a trio of lectures delivered at the Stockholm School of Economics, a sequel to his 1987 lectures, which were published as *Protectionism* (1988). Bhagwati is a leading intellect among free traders today, having written extensively on the topic in both academic and popular publications, and numbering among his former students Gene Grossman, Douglas Irwin and Paul Krugman. As one might expect of a series of lectures pitched at economists, the work is both more theoretical and more personal than Irwin's *Free Trade Under Fire*.

The first lecture deals with the history of thinking on free trade, and the factors which have led a number of academics outside economics to repudiate the notion that the dismal science has any special expertise on the topic (Bhagwati traces the origins of this view to Jacques Derrida and the poststructural deconstructionism movement). The subsequent dry discussion of trade thinking in the 1980s and 1990s is probably the least interesting part of the work, in part because it is difficult for the reader to distinguish which parts of the chapter are novel, and which are a recitation of known facts.

The great strength of Bhagwati's book is in his second and third lectures – particularly his analysis of labour standards and preferential trade agreements. On the issue of labour standards, Bhagwati's approach is more bullish than Irwin's – pointing out the USA's poor record on labour standards, and accusing it of 'cynical exploitation of moral issues for de facto protectionism'. He also warns that sanctions against goods produced with child labour could well force children in developing nations into unregulated and perhaps more dangerous industries, including prostitution. As an alternative to the blunt stick of trade sanctions, Bhagwati suggests a mix of mandatory standards (requiring multinationals headquartered in developed countries to adhere to core labour standards) and voluntary standards (encouraging certification regimes such as the Social Accountability Label).

Bhagwati reserves his greatest wrath, however, for drafters of 'preferential trade agreements' (PTA) (a term he insists is a more accurate

description than 'free trade agreements', as the latter term can gull politicians into thinking that they are a means to free trade). He puts forward three reasons why PTAs are 'a pox on the world trading system'. First, they are often trade diverting, not trade creating – and hence projected gains are often illusory. Second, they hamper multi-lateral trade negotiations, as they sap the energy of trade negotiators, and produce a 'spaghetti bowl' of agreements to be traversed. Third, Bhagwati contends that PTAs hurt poor nations, as it is these countries who are the least well equipped to conduct bilateral negotiations. All three arguments might usefully be considered by Australian politicians and bureaucrats currently negotiating an Australia–USA trade agreement.

Both Irwin and Bhagwati's books are appropriate for Australian economists and policymakers alike. Not only are they provide important facts and insights, they also make the case for greater involvement by free traders in the public arena. As Professor Bhagwati argues (recalling his debate against would-be politician Ralph Nader): 'unless we confront these misguided critics, the public-policy stage will be occupied solely by the critics of free trade, and then politicians cannot be blamed for having to listen and attend the chorus of free trade's critics'.

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*Public Enterprise Disinvestment: Australian Case Studies*, by Fran Collyer, Jim McMaster and Roger Wettenhall (Pacific Institute of Management and Development, 2001), pp. 186.

In their Introduction to *Public Enterprise Disinvestment: Australian Case Studies*, the authors declare three main aims. First, to develop case studies of privatisation in Australia and thereby provide teaching material that is currently unavailable. Secondly (their 'primary aim'), to show how privatisation has been impacting on Australia. Thirdly, to set these particular experiences against a bigger picture of the worldwide movement toward privatisation.

The authors report on nine cases that cover a variety of Australian jurisdictions, industry sectors and divestment methods. The case studies on the sale of the Commonwealth Serum Laborat-