

***Pioneers of Law and Economics*****Lloyd R. Cohen and Joshua D. Wright, eds.****Edward Elgar Publishing, 300 pages, 2009**

Every once in a while, a book comes along that underpromises and overdelivers. This book is just such an accomplishment and that is all the more remarkable because it is one of those rare birds that is not only an edited volume but one with pure gems in each and every essay. Each of the essays in this text centers on one particular individual who made his (and all of the individuals referenced as pioneers are men) mark on the then-nascent field of law and economics.

The essays start with one on Ronald H. Coase that is written by Thomas W. Hazlett. It quickly juxtaposes Coase's major contribution to economics and the field of law and economics (transaction costs matter) with the one work of his that is the most cited article in economics ("The Problem of Social Cost"). Interestingly and tellingly, it is also one of the most misused concepts as generations of young economists have mistaken applied the Coase Theorem, which states that it does not matter who receives a property right provided there are no wealth or transaction costs, to cases where transaction costs do occur. Of course, those in Law and Economics have typically not made this error, recognizing the broader implications of needing to examine transaction costs, especially when they are asymmetrical, but the error nonetheless does get transmitted. Other areas that do not escape Coase's keen eyes are the question of public goods provision ("The Lighthouse in Economics") and his influence on others (Cheung's "Fable of the Bees" and Liebowitz and Margolis's "Fable of the Keys" are given as examples).

The next two essays, both on Aaron Director, highlight an economist who hardly published at all and yet influenced an entire generation of scholars who came out of the University of Chicago. The essay on "Aaron Director's influence on antitrust policy" is especially powerful since few knew of him although many felt his work through the writings of others.

Several essays follow with a similar pattern: one (or two) economist(s) are highlighted and their intellectual contributions discussed. To take a lifetime of achievement and distill it into a book chapter is a worthy achievement, made all the

more remarkable by the conciseness, yet completeness, that each chapter entails. For example, coverage of Demsetz's theory of property, which forms the basis for neoclassical understanding of the concept, is described succinctly in just one line: "property is the means by which externality problems [are] typically solved in the real world." (page 78) This central insight allows us to understand how and why property rights develop. Without externalities, there is really no need to establish property rights of anything greater than the simplest variety: I own it so that you can't have it unless I say so. However, property rights are far more pernicious than that. For example, copyright, which is an intellectual property right, states that the words on the page of the book I am reviewing are the property of the copyright holder (in this case Lloyd Cohen and Joshua Wright) but copyright law allows me, as a reviewer of this book, to quote directly from it, trespassing, if you will, on the property right of the original authors. This trespass is not without limitation, however, being inherently required to take only a limited portion sufficient for the needs to illustrate a point and not to the extent that it would damage the value of the property right to the original rights holder. Still, this trespass could not be accomplished without the more nuanced concept of property rights described in Demsetz's theory.

Still, the book is not without its faults. To ascribe that it is a book on the "pioneers" of law and economics without a discussion of Adam Smith, David Ricardo, and John R. Commons is to present a rather myopic perspective to say the least. This is, of course, covered in the introduction, although the fact that nowhere are Commons' major contributions recognized even in passing is quite the shock. Even more telling is the conspicuous absence of F. A. Hayek whose seminal works, *The Constitution of Liberty* and *Law, Legislation, and Liberty*, belong in any good library of law and economics. Hayek also falls within the time frame selected by the editors for inclusion, being the latter half of the 20<sup>th</sup> century and his influence is still being felt among the Austrian School of economics.

Yet, these sins of omission do not render the book any less valuable for the essays that do appear within. Reading this book provides an intellectual framework for the history of thought in the field that until now it had sorely lacked.

**Reviewed by Zagros Madjd-Sadjadi, Winston-Salem State University**