Review
Reviewed Work(s): Public Goods and Private Communities: The Market Provision of Social Services by Fred Foldvary
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fect relative prices in the economy. Indeed, greater political influence by a group can be utility *reducing* in this framework.

All in all, this work indicates the many avenues down which political economy can take us and shows well the richness of these formal models. I found much of the work in the volume quite rewarding. It provides a blend of articles that informs us where the literature has been as well as original contributions that indicate where it is going.

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Fred Foldvary, *Public goods and private communities: The market provision of social services.* Aldershot, England and Brookfield VT: Edward Elgar, 1994. xii + 264 pp. $ 59.95.

Fred Foldvary reconsiders arguments for government provision – coercive provision – of public goods. Standard arguments focus on indivisibilities, nonexclusion, nonrevelation of demand, and free rides. Some goods commonly treated as public do not really fit under Paul Samuelson's definition, but classification is only a fringe issue here. Foldvary often speaks of collective goods and especially of civic goods.

The standard market-failure argument forgets that people live in three-dimensional space and in a context of institutions and history. Civic goods typically appear in particular places; examples are flood-control dams, streets, parks, security and police, refuse collection, sanitation, recreational facilities, and generally attractive ambiance. Demands for them show up in demands to occupy space. The civic goods radiate value into the surrounding space. Property-owners can appropriate the resulting site rents and use them to cover the costs of the goods, which they thus sell as tie-ins to the space rented. This arrangement satisfies Wicksell's prescription of tying payments to benefits.

Instead of benefiting from civic goods whether or not they pay, people must pay somehow whether or not they receive the goods – through taxes if not as rent paid to private landlords. If government provides the goods and finances them from taxes on production, it is the owners of land, not the consumers, who get the free ride. If the site owner provides the goods consensually to his tenants (or if individual owners buy the goods together through an association), no one enjoys a free ride. The users pay for what they get, and the site owner must deliver the goods to get paid. Ideally, rental sites are flexible in size, enabling the tenant to occupy an amount of space such that the rent on a marginal increment just equals the value of that increment to him. Government imposes needless inefficiencies if it shoves aside the voluntary method of providing civic goods.

Foldvary's description applies to various forms of proprietary community. Suitable units of ownership are crucial. If land titles are excessively fragmented and collective goods are "commons", then tragedies of overexploitation and underprovision arise. The land developer must retain title to sustantially the whole geographic area of the benefits he creates. A shopping center, for example, provides its tenants not only with store sites and obvious collective goods but also with governance or leadership. The consequences of fragmented ownership and lack of leadership appear, by contrast, in decaying downtown business districts. Similarly, some older mobile-home parks, fragmented into small occupant-owned plots, have become obsolete as homes grew larger. They illustrate, in miniature, the problem of all cities, where fragmented ownership impedes systematically programming out obsolescence.

If, however, a developer does sell off his project in small plots, then its logic requires first instituting a continuing structure of collaboration and cost-sharing among the new individual owners. One form is an obligatory homeowners association through which residents of a planned community share the costs of their collective goods.

Not only within but among communities, it can be efficient to finance collective goods through land rent, perhaps combined with user fees (congestion fees). To this purpose, neighboring communities sharing area-wide externalities may advantageously form associations of associations. These territorial clubs may reap spatial economies of scale and scope in providing civic goods.

Foldvary often cites the ideas of Spencer Heath MacCallum and MacCallum's grandfather, Spencer Heath, who in turn had been much influenced by Henry George, of single-tax fame. "Consensual rent collection is an economic equivalent of government land-value taxation, except that the equilibriting agents operate by a market rather than a political process" (p. 42). Heath turned George's political program on its head. Whereas George regarded the landowner as a passive receiver of rent that he had no part in creating, Heath saw him as an entrepreneur capable of producing and restoring land values. Heath envisioned a society whose collective goods are financed from rents created by entrepreneurial investments and leadership. (Foldvary does not bother to stress the point that competition, or potential competition, among land-developers is necessary for the private provision of public goods to work properly.)

Chapters 9 through 13 report on case studies demonstrating that decentralized private communities can and do provide public goods in abundance. These chapters have some of the appeal of a travelogue, giving the reader ideas about places to visit and what to see there. The projects studied include the condominium-apartment complex in Alexandria, Virginia, where (he implies) Foldvary himself lives; the planned towns of Reston, Virginia, and Columbia, Maryland; Walt Disney World in Florida; land trusts (inspired by Henry George) like Arden, Delaware, and Fairhope, Alabama; and privately owned streets in St. Louis. (Having lived twelve years in a condominium-townhouse development where a homeowners' association provides collective services financed by a membership fee, I can appreciate Foldvary's admiration for such arrangements. As he says, even "sympathy" as described by David Hume and Adam Smith plays some role in motivating voluntary contributions to the supply of collective goods.)

Reston illustrates how mistakes can be more easily rectified in a market system than in a politicized system; there, a failing enterprise was replaced without eliminating the civic goods it had planned and produced.

If private provision of public goods is such a good idea, why hasn't it been adopted more often than we observe? One reason is that governments levy taxes for their services regardless of the extent of use, so that consumers of privately provided services in effect must pay twice. Taxes paid to state and local governments are deductible in figuring Federal income taxes, but not comparable fees included in rents paid to private associations. Furthermore, zoning laws or building codes sometimes need changing to make private projects feasible. Foldvary's arguments, if valid, have obvious implications for public policy.

Slogans about democracy do not bamboozle Foldvary; they constitute no arguments for providing civic goods by democratic, meaning governmental, methods rather than by market-oriented methods. Foldvary understands the various pathologies of democracy, including the perversion of government into a transfer mechanism. (As John Gray has said, democratic government is nowadays being perverted into a tool in the Hobbesian war of all against all.)

"Rent-seeking", by the way, has been a misleading term from the start. Now that Foldvary has raised the importance of the word "rent" in its old-fashioned territorial sense, we would do well to use the word in that way and, following his occasional example, speak of efforts to enlist government for one's own special purposes as *transfer-seeking*.

Foldvary based his book on his doctoral dissertation at George Mason University in 1992. It has some of the characteristics of a dissertation, including too much review of theories; too much brooding over the meanings of words like "market", "voluntary", "equality", "independence", "offense", "harm" and "government" (indulgence, that is, in what Karl Popper has stigmatized as "essentialism"); and a rather artificial casting of the argument into terms of hypotheses and their testing. But such defects are slight. Foldvary has written an admirably substantive work. It conveys much fresh and enthusiastic thinking, and it reports solid research on specific projects. His work stands in admirable contrast with several "Austrian" writings that paw away, abstractly and ineffectually, at the very concepts of public goods and market failure and even of externalities.

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Steven Brams, *Theory of moves*. New York: Cambridge University Press, 1994. xii + 248 pages. $ 59.95 (cloth); $ 17.95 (paper).

In Steven Brams' words *Theory of Moves* is intended as "an antidote to the sophisticated yet often arcane game-theoretic models that adorn the literature, especially in economics." Depending on one's viewpoint, this may be optimistic or pessimistic: given the uncontrolled proliferation of game equilibria with ever more tenuous empirical significance, there is reason for pessimism. But given that an antidote may only succeed on a patient whose illness is not quite terminal, Brams' statement is one of optimism. So, let us investigate a bit further the optimistic path. The economists' quasi-monopoly on game theory is not quite the Spanish Inquisition since it tolerates minor heresy here or there, provided it does not dispute the basic dogma: every player must form an expec-