low-interest rate policy (Ch. 7). Kohama's emphasis on the dynamism of the private sector that enabled the "catching-up product cycle style of industrialization" (Ch. 1) and Urata's analysis of the effects of imported technologies (Ch. 5) run in a similar vein. In contrast to the Japanese contributions, which focus on the examination of the already existing explanatory model, the Korean contributions are in search of a corresponding model for the Korean economy. Though Choi/ Young Sae Lee (Ch. 4) and Kim/Sang Ho Lee (Ch. 6) complain about the frequent policy changes, and Un-Chan Chung (Ch. 8) suggests the near bankruptcy situations of the banks due to severe government control, the Korean economists generally approve of the positive effects of the leadership provided by the Korean government. Impressively enough, the attendance of President Park at the monthly meetings of economic review and of export promotion is mentioned twice by Chon Pyo Lee (Ch. 2) and Choi/ Lee (Ch. 4). But it does not mean that Koreans are satisfied with the image of "Korea Inc." They are looking for "a more complex approach" to explain the "collaborative effort by the government and [the] private firms" (Choi/Lee).

Parallel concerns with agriculture and educattion and their respective impact on relations of social structure in both nations also provide still other, rich perspectives about the changes that accompany economic development. While Hara (Ch. 9) argues that agricultural policy in Japan has changed in only one century from exploitation to protection, Korean agricultural policy described by Young/Chung (Ch. 10) seems to have been caught in the policy dilemma between providing cheap food (low real wages) and protectionism. Though both nations are famous for their enthusiasm about education, Arai (Ch. 11) reveals the fact that Meiji-Japan took 30 years to raise the attendance ratio at elementary school up to 90 percent, and Choo (Ch. 12) suggests a kind of reluctance on the the part of Japanese colonial government to meet the demand for elementary education among Koreans. The former contains an interesting application of the rate-of-return approach to higher education in Japan. The latter describes the relations of the amazingly rapid educational expansion in Korea with its need for qualified manpower.

All in all, this book is successful in offering convincing lessons that are relevant to the present experiences of populous, developing countries that lack natural resources. The editor summarizes the lessons as follows: (1) the promotion of labor-intensive, manufacturing industries "with an orientation for international competitiveness and with technology borrowed from abroad where necessary" does promote economic development; and (2) the necessity of "a political leadership committed to economic development and a bureaucratic system that can implement its vision" are critical to promote economic development. However, a parallel analysis of the internal structure of industry which guarantees the ability of establishments to grow as well as adopt and refine technology should also be considered. As for the problem of political leadership, this reviewer must say that the mere efficiency of decision-making and its successful implementation is much too narrow a criterion on which to recommend a mighty, interventionist government policy.

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Ingo L. O. Schmidt and Jan B. Rittaler, *A Critical Evaluation of the Chicago School of Antitrust Analysis*. Dordrecht: Kluwer Academic Publishers, 1989. ISBN 9-02473-792-3.

While struggling with issues raised by the need to develop competition policy in Europe, Ingo Schmidt and Jan Rittaler turned for guidance to existing views about antitrust policy in the United States. Their observations of the "Chicago School of Antitrust Analysis," published in preliminary form in German in 1986, are reported in this slender volume which summarizes existing literature like a good German Dissertation. The book presents a critical portrait of the "School," and because Chicago has been so influential in the "law-and-economics" movement much of the criticism applies to it as well. Some assessments can be traced to differences in European and American settings, since policies suitable for America may not serve well in Europe. The book is nonetheless useful for briefly summarizing Chicago positions and indirectly bringing out differences between the two economic communities. The result is inevitably part caricature and only part portrait, though, for in stressing antitrust policy it is based on the bolder and more extreme positions of policy advocates.

The Introduction identifies the Chicago School as being concerned only with monetarism until the 1970s, when a legal and economic approach to antitrust developed. Richer treatment of Chicago School origins, covering such early thinkers as Henry Simons whose views on antitrust areas are as well known as his views on the effectiveness of monetary policy, would alter this account. But delving so thoroughly into the past would have been the approach of a different book. The main purpose of the Introduction is to set out aims of competition policy as seen in the Federal Republic of Germany and the European Economic Community, to prepare the reader for the orientation of the book. The next topic to be examined is the neoclassical economic theory of competition, which is seen as foundation for the Chicago antitrust theory that is being described. Other major topics are the Chicago view of concentration and market structure, and Chicago positions on a set of actions that the authors regard as anticompetitive.

The first substantive chapter, Chapter 2, reviews premises and assumptions of the Chicago concept of competition. While possibly useful for lawyer readers, the description is too elementary to explain why the theory has taken the form it has and thus to show the uses of its premises and assumptions. The description serves as a reference point, simply presenting the standard assumptions of neoclassical economics and criticizing them for being extreme. No attention is given to the role of theory or to debates among economists about the part that assumptions play in theory. The theory is faulted for assuming full rationality of individuals, and for ignoring externalities, while the advantage of clear and testable predictions from such strang assumptions is not discussed. Of course using these assumptions for direct application to legal issues rather than for more general tests of predictions is open to criticism. As the authors charge, this probably is the weakest of Chicago School presumptions for antitrust analysis.[1] But the effectiveness of neoclassical economics in the law and economics movement should have been noted. Other problems of achieving perfect competition are mentioned, such as economies of scale, the lack of information that gives rise to advertising, and the need for free entry into and exit from industries. Uncertainty, which also causes problems but has had considerable attention from Chicago economists, goes unmentioned.

Chapter 3 briefly (in about 3 pages) covers how the Chicago School sees the connection between antitrust views and public policy. No connection is found between market structure and policy, although this was not always so, as reference to the work of Henry Simons again will confirm. Aspects of firm behavior such as collusion do lead to policy recommendations, so the School is not entirely without them. Horizontal agreements also are opposed, as are mergers if concentration is high. This very short chapter should probably have been omitted or combined with Chapter 5, since its points are repeated there, and it now interferes with the flow from competition theory to antitrust theory that would be available from Chapter 2 to Chapter 4.

The Chicago approach to antitrust theory is the subject of Chapter 4. The dependence of the Chicago School on the assumptions of neoclassical economic theory is developed here as a fundamental flaw in the antitrust theory. Even if pursuing consumer welfare as a single goal is accepted, the authors argue that neoclassical price theory is not needed for that aim. After discussions of allocative and production efficiency they argue that such measures alone are not adequate for assessing the achievement of consumer welfare. They also criticize pursuit of a single goal. Perfect competition is seen as an unrealistic point of reference and the problem of external economies is again noted. Technical progress is singled out also as a concern giving rise to difficult trade offs between alternative policies that can benefit consumers.

Chapter 5 is devoted to discussion of concentration from the Chicago point of view, while Chapter 6 deals with anticompetitive behavior. On concentration, the Chicago argument is summarized as follows. Concentration itself is not considered bad, but control over crucial resources — either by ownership or by legal protection — is a problem. Mergers add to efficiency, although horizontal mergers may be discouraged beyond

60% or 70% market share. Vertical or conglomerate mergers are seen as rarely causing problems. Divestiture is not seen as an appropriate policy step, since it will tend to reduce efficiency by interfering with the optimal firm arrangement. The Chicago School is criticized again for giving little attention to barriers to entry and advertising, and for lacking an adequate theory for oligopoly situations. On deregulation the Chicago School is seen as sharing a now common view supporting it, but on grounds of reducing government interference rather than seeking benefits of greater competition alone.

The anticompetitive behavior that is treated in Chapter 6 includes collusion, exclusionary practices, tying, predatory pricing, and resale price maintenance. On collusion some willingness to oppose price fixing is found among Chicago spokesmen. But there is also a strong view that implicit collusion (conscious parallelism) will be undermined by entry in response to resulting high profit, so it is not a lasting problem. Exclusionary practices are justifiable by the increases in efficiency they permit, and tying is also defended by the Chicago School. Indeed, the authors find "incomprehensible" the Chicago defense of price discrimination that tying can facilitate. Predatory pricing is seen as unlikely to cause lasting difficulty, again because entry would prevent profiting after predation. Resale price maintenance is also welcomed by the Chicago School for increasing distributional efficiency. In opposing this view the authors cite German experience where resale price maintenance allowed producers to coordinate higher prices.

Those familiar with Chicago School views know how difficult they are to capture, especially in a small space, and my cryptic summary cannot convey the description of the Chicago School that is presented in the book. Although stark, the general positions described in the book do reflect reasonably well the antitrust policy positions taken by some Chicago School members. For providing a brief and clear summary of those positions the book is useful.

Criticism of the Chicago School, beyond inappropriateness for the European scene, is not as successful. For instance, the Chicago School is criticized more than once for inattention to advertising and for lacking an oligopoly theory. Yet even though he is frequently cited in the book no mention is made of work by Nobel Laureate George Stigler on information, which provides a basis for advertising, or on oligopoly theory. The authors are not expert in welfare analysis growing out of neoclassical economic theory, either, or they would not find the defense of price discrimination by tying "incomprehensible," since the efficiency advantages of price discrimination are well known. Indeed, the efficiency goal of Chicago views on antitrust, and of much of the "law-and-economics" movement, has advantages as well as disadvantages, but such trade-offs are not discussed. Many legal scholars prefer to have more attention given to equity issues but reference to that resistance is not used by the authors to make their stand more persuasive.

Thus, the summarizing by Schmidt and Rittaler is good but the criticizing is not. Relying on assumptions from neoclassical economic theory for antitrust reasoning is a weakness of the Chicago School, as the authors say. But what to do about it requires knowledge of the positive uses of those assumptions and that is not provided. Similarly, the efficiency goal of the Chicago School has drawbacks, but its pursuit by the School, and by much of the law and economics movement, has also been productive; how best to overcome the drawbacks takes knowledge of that effectiveness, which again is not provided. One-sidedness in criticism restricts its usefulness. The book's brief and spirited statement of Chicago School positions may help some observers learn where the School stands, but its criticism of those stands is not going to change them.

Note

[1] See Robert C. Ellickson, "Bringing Culture and Human Frailty to Rational Actors: A Critique of Classical Law and Economics," *Chicago-Kent Law Review, Symposium on Post-Chicago Law and Economics*, Vol. 65, No. 1, 1989.

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