are mobile internationally, governments can alter trade patterns through taxation and regulation. However, domestic governments now also face competition from foreign governments for their services, because mobile inputs and factors can escape unfavorable domestic regulation by migrating abroad. The book ends with an open-ended discussion of whether governments should aim to compete for mobile inputs by providing a favorable regulatory environment or whether governments should instead coordinate policies with other nations in an attempt to regulate the activities of their firms worldwide.

Overall, the book does an outstanding job of highlighting the positive and normative implications of trade in inputs. It is difficult to pinpoint an important aspect of trade in inputs that the book fails to address in detail. A potential exception is the discussion of the reasons for international mobility of inputs and international fragmentation of production in chapter 7, which could benefit from a more thorough treatment of the role played by multinational corporations. Although a detailed analysis of multinationals is clearly beyond the scope of this book, chapter 7 could have perhaps directed the reader to additional existing theoretical and empirical work on the subject.

The book relies intensively on standard trade theory models, so it will mostly benefit an audience that is already familiar with the basics of trade theory. However, chapter 8 (on government policy with trade in inputs) provides an excellent, relatively non-technical discussion of the new policy dilemmas and might be accessible to the non-specialist reader interested in policy implications of trade in inputs. While the book is not an easy read, the writing is extremely clear, and the material is both insightful and logically organized.

In sum, Jones nicely demonstrates the importance of incorporating trade in inputs into standard trade models. Given that trade in inputs has recently accounted for a growing share of world trade, I believe that scholars and graduate students in international trade will find this book a valuable resource to guide their future research.

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G Financial Economics

Concentrated Corporate Ownership. Edited by Randall K. Morck. Chicago and London: University of Chicago Press, 2000. Pp. xiii. 387. $62.00. ISBN 0–226–53678–5.

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Economic theory typically makes one of two extreme assumptions about firm ownership. One, often used in corporate finance, is that the firm is owned by atomistic shareholders that want to maximize its market value. The other is that firms are wholly owned by individuals who use them to maximize their own utility. The intermediate case of "concentrated" ownership, with one majority owner and several minority shareholders, has received much less attention. Since concentrated ownership is a common phenomenon both in young high-tech firms and in developing economies, it is an important object of analysis. However, because concentrated ownership raises the difficult problem of protecting the minority shareholders from abuse by the majority, its analysis requires more than a mixing of the two extreme cases.

This book consists of a collection of essays and discussions from an NBER sponsored conference on concentrated corporate ownership. The essays are quite heterogeneous. Some are theoretical, others are empirical; some are written by legal scholars, others by economists. The editor, Randall K. Morck, has written a brief introduction consisting mainly of a synopsis of the essays. While an edited conference volume can not be expected to offer a comprehensive treatment of its topic, the introduction could have placed the essays in a more systematic overview of the issues. Instead, the contents are organized in three parts: the first four essays ask, broadly, why concentrated ownership structures emerge, the next four consider economic and legal issues related to the protection of minority shareholders, and the last three essays look at the efficiency properties of several ownership structures found outside the United States.

As could be expected, some essays appear to be more on point than others, and individual readers may well differ in their judgments on which these are. I particularly liked

"Ownership Structures and the Decision to Go Public: Private versus Social Optimality" by Lucien A. Bebchuk and Luigi Zingales. The authors look at an owner/entrepreneur's choice of ownership structure at the time of an initial public offering. The classical argument has been that the entrepreneur would choose the socially efficient structure because this maximizes the value of her remaining shares in an eventual sale. Bebchuk and Zingales point out that this assumes that the entrepreneur can appropriate all gains from trade. If a controlling block is worth disproportionately more and the market for control is imperfectly competitive, then the entrepreneur will design the ownership structure without taking all social gains into account.

A very different essay, which illustrates the scope of the book, is "Emerging Market Business Groups, Foreign Intermediaries, and Corporate Governance," written by Tarun Khanna and Krishna Palepu. Using Indian data, they compare the effects of concentrated ownership by domestic and foreign financial institutions. While the endogeneity of ownership and data limitations make strong inference difficult, the authors piece together evidence to demonstrate quite convincingly that foreign financial institutions bring superior monitoring skills to the Indian economy. This should have important policy implications for other emerging economies.

Although the diversity of the essays perhaps limits the cohesion of the book, it should also give it a rather broad appeal. Along with the traditional theoretical and empirical studies, there are managerial pieces, legal analyses, fodder for those looking for stylized facts, and more policy oriented arguments. Given the paucity of prior work on this important topic, this diversity seems appropriate.

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H Public Economics

Putting Trust in the U.S. Budget. By Eric Patashnik. Cambridge, New York, and Melbourne: Cambridge University Press, 2000. Pp. xiv, 231. $54.95, cloth; $19.91, paper. ISBN 0–521–77174–9, cloth; 0–521–77748–8, pbk.
JEL 2001–0648

In this refreshingly unpretentious account of trust funds in American government, Eric Patashnik demonstrates that "the trust fund device has been a consequential U.S. policy instrument, shaping both aggregate patterns of U.S. taxation and the micro dynamics of particular expenditure patterns" (p. 15). Economists, who might be tempted to dismiss trust funds as mere window dressing in public finance, should consider the current situation in the social security program. In 2001, the social security program paid benefits to more than 44 million people, collected $604 billion in revenues, spent $439 billion on benefits and administrative expenses, and still found itself in trouble. The reason is that policy makers looked at pronouncements about the long-run solvency of the social security trust funds and found that at some point later in the century there would not be enough money on hand for the program to meet all of its legislated obligations. The very existence of a social security crisis depended upon the prior existence of the trust fund; it was not the program's long-term obligations that mattered so much as the effect of those obligations on the trust fund. Hence the trust fund served as a mechanism that defined a policy crisis and led to thoughts of program retrenchment, just as that same trust fund had once provided a source of encouragement to expand the program. Nothing illustrates Patashnik's points about the relationship between the existence of trust funds and what he calls "promise keeping in American politics" better than that (p. 1).

Social security serves as Patashnik's lead case study of the origins and development of particular trust funds. As he notes, the social security trust fund has been largely successful in terms of locking in program commitments. By creating a trust fund, the tax committees in Congress were able to gain more control over the program. In effect, the trust fund mechanism enabled them to be both the authorizing and appropriating committees—a tremendous advantage in budgetary politics. Yet this same structure has not proved