written; documentation of its extensive research is relegated to endnotes, which will be very helpful for further study by interested readers. *Austrian Economics and the Political Economy of Freedom* deserves the widest possible exposure.

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The Political Economy of the Voluntary Sector: Reappraisal of the Comparative Institutional Advantage of Voluntary Organizations

Brian E. Dollery and Joe L. Wallis

Cheltenham, United Kingdom: Edward Elgar, 2004 (208 pages)

Brian Dollery of the University of New England and Joe Wallis of the American University of Sharjah provide a detailed review of past and emerging theories surrounding the voluntary sector. The authors take a methodical approach to summarizing and critiquing arguments for why the voluntary sector exists, how the voluntary sector can operate differently yet as a supplement to the public and private sectors, how government can better enlist the aid of the voluntary sector, and under what circumstances the voluntary sector fails.

Dollery and Wallis begin by arguing that the voluntary sector arises from the intersection of market and government failures. Summarizing arguments by Rose-Ackerman, Weisbrod, Ben-Ner and Gui, and others, the authors show that voluntary organizations can emerge as a result of asymmetric information. When a product's quality cannot be readily observed or evaluated, nonprofit organizations can engender a level of trust that consumers are less willing to ascribe to for-profit firms to the extent that consumers believe the nonprofit's motivation is to provide a quality product devoid of considerations of profit-making. Further, because of size and incentive issues, it is difficult for the government to provide anything other than standardized output. However, being motivated to provide for a particular need, being numerous, and being in competition for donors, nonprofits not only can respond to the demands of the consumers but have strong incentives to do so. In the presence of asymmetric information, the nonprofit fills a niche by combining the market response inherent in the private sector with the trust engendered by the public sector.

The authors provide some background on the well-known instances of market failure: noncompetition, public goods, externalities, and principal-agent problems. Citing their previous work, Dollery and Wallis go on to enumerate three government failures. Legislative failure is the overproduction of public goods resulting from politicians seeking to maximize their chances of reelection. Bureaucratic failure arises when public servants lack the incentives necessary to implement public programs efficiently. Rent seeking occurs when people, in response to government's ability to transfer wealth, devote resources that could otherwise have been employed in creating wealth to lobbying the government to redistribute wealth in their favor.

Dollery and Wallis then offer examples of the unique opportunity nonprofits have to sidestep all of these failures. For example, a nursing home provides a quality of care that is only partially observable to the person making the purchase decision. This principal-agent problem means that a private-sector nursing home, motivated by profit, has incentive to reduce costs by providing lesser quality care. A public-sector nursing home may engender more consumer trust because the absence of a profit motive mitigates the principal-agent problem—that is, because the management is not motivated by profit, management does not have the cost incentive to reduce the quality of care. However, a public-sector nursing home suffers from bureaucratic failure precisely because of the absence of the profit motive—that is, managers have no incentive to operate the nursing home efficiently because profit does not matter. By contrast, a voluntary-sector nursing home can engender consumer trust because the organization's goal is not profit but mission. However, because the organization is nongovernmental, it is subject to market forces and so has incentives to operate efficiently. The argument is that the voluntary sector's niche exists in drawing on the incentive to efficiency that comes from market forces while avoiding the incentive to exploit that comes from profit opportunities.

In keeping with their balanced approach, the authors summarize Lester Salamon's arguments for voluntary sector failures: philanthropic insufficiency, philanthropic particularism, philanthropic paternalism, and philanthropic amateurism. Tied in with a succinct summary of Charles Wolfe's theory of nonmarket failure, Dollery and Wallis describe voluntary sector failures as arising from the very source that gives nonprofits their niche advantage: an incomplete link to market forces. The free-rider problem among donors gives rise to philanthropic insufficiency—the failure that nonprofits may command insufficient or unreliable resources despite the net-positive economic and/or social value of their work. Insufficient information on the part of the nonprofit's donors combined with the nonprofit's need to appease donors results in resources being channeled toward "pet" projects that may benefit only a small subset of the population (philanthropic particularism) and, in any event, tend to provide most benefit to projects favored by the most wealthy donors (philanthropic paternalism). Finally, philanthropic amateurism arises when nonprofits rely on volunteers to perform tasks that would be better performed by paid workers. The authors' treatment of the niche that nonprofits can exploit (what they call the demand-side theory) coupled with their review of failures inherent in the voluntary sector arising from donors' and volunteers' behaviors (the supply-side theory) provides a thorough description of the opportunities and limitations for voluntary-sector contributions to the economy.

Moving away from the more economic views of the voluntary sector, Dollery and Wallis offer arguments for the evolution of the voluntary sector as a necessary result of the evolution of social capital. As individuals interact socially, they necessarily form preference and communication bonds that can become manifest in voluntary organizations. The voluntary organizations provide institutional nurturing for these bonds, which, in turn, provide more impetus for the formation of, and involvement in, voluntary organizations. The authors cite Robert Putnam's findings that "the more likely a region's citizens are to join football clubs and choral societies, the faster the regional government is in reimbursing health care claims." Putnam claims that this improvement in the public sector arises because of the personal connections among people that augment and are augmented by the formation of voluntary organizations. Unlike physical capital that degrades through overuse, social capital increases through overuse.

Dollery and Wallis's book is not characterized by the ubiquitous mathematics that often marks the economics literature. This makes the book an excellent read for noneconomists interested in the topic of the voluntary sector. One section only is marred by a halfhearted employment of econometrics: In partially reproducing the mathematics of economic growth models, the authors achieve the worst of both worlds by giving too little mathematics to be of use to economists and too much to be of comfort to noneconomists.

The *Political Economy of the Voluntary Sector* lays much of the groundwork necessary for economists to develop models describing the failure-based interplay of the public, private, and voluntary sectors. More importantly, Dollery and Wallis suggest intriguing lines of inquiry that have the potential for furthering the links between economics, psychology, and sociology. For example, they suggest an interesting path to a consumer psychology-based model describing the life cycles of nonprofit organizations via the interplay of positive and negative emotions and the feedback generated by the inception, growth, and maturation of the organizations. The review of the literature is presented in a coherent and complete fashion and is stitched together with compelling narrative, thus making this book an invaluable asset to researchers interested in the core intersection of the social sciences.

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Economic Theory and Christian Belief

Andrew Britton and Peter Sedgwick

Oxford, United Kingdom: Peter Lang, 2003 (308 pages)

As its title indicates, this very interesting book sets out to contrast economic theory and Christian belief. In fact, it does much more as it also relates Christian doctrine to social theory (chap. 3). It is therefore a welcome departure from the usual Christian attempts to elaborate on ethically informed practices in business, finance, politics, and other social activities. The authors seek to reach a deeper, theoretical understanding of economics and Christianity and to establish a fruitful dialogue between the two. They hope to work out the concepts of "man" and society (the anthropology) that respectively structure economic theory and Christian belief.