Wall Street Journal, "the triumph of capitalism" is transforming the lives of more than 400 million people. Consumption is in, while central planning, shortages, queues, and bureaucracy are on the way out.

The remarkable progress in some of the former Soviet satellites is nothing short of breathtaking. "Capitalism is running wild . . . several million private businesses have been launched . . . and households . . . are getting their first taste of life in a consumer-driven culture." Foreign investment is pouring into Hungary, Poland, and the Czech Republic. The rule of law—one of the essential elements of a market economy—is being created to secure both property rights and contractual obligations. Price controls are being lifted, trade barriers are being dismantled, subsidies are being eliminated, privatization is proceeding at a rapid pace, and monetary inflation is being curtailed. In short, free enterprise is on a roll.

Nevertheless, the progress of the former Soviet "tigers" stands in sharp contrast to the slow pace of reform in Romania, Albania, and Bulgaria. Whether the three laggards can throw off the legacy of Stalinism remains to be seen. But given the enormous progress in their neighbors' well-being in such a short period of time, it would be tragic for the peoples of these nations to suffer more than they already have because of the dilatory actions of their elected officials.

After seven decades of a command economy, the people of the former Soviet Union are rediscovering the essence of entrepreneurship. Although some predict that "it will take a minimum of two generations—fifty years—to bring Russia's economy to where America was in the 1950s," the recent re-election of Boris Yeltsin is a confirmation that the Russian people do not want a return to a command system.

However, there are several major challenges ahead for republics newly formed from the remains of the Soviet empire. The Communist Party's influence in the Parliament must be countered and organized crime drastically reduced in Russia and other countries in order for a peaceful market economy to flourish.

Carter Henderson has presented a clear and comprehensive overview of the spread of free enterprise throughout the former Soviet empire. For academics, business executives, and others who want to learn about the progress and opportunities in one of the world's greatest economic transformations, *Free Enterprise Moves East* would be a good place to start.

Unfortunately, Henderson does not acknowledge the insights of the Austrian school economists who predicted the demise of central planning as early as 1922, with the publication of Ludwig von Mises' *Socialism.* Had *Socialism* been the bible of the Russian Revolution instead of *The Communist Manifesto,* the peoples from Prague to Vladivostok would have avoided the pain of the past and the uncertainty of the future.

Ideas matter, and Carter Henderson shows unequivocally that the greatest social experiment in the twentieth century was conducted using one of the most fallacious ideas known to the human race—statism. Hopefully, the gallant struggle to eliminate most—if not all—the remnants of statism will accelerate in the years ahead. □

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Austrian Economics for Investors

Pickering and Chatto • 1996 • 48 pages, paperback. Contact FEE for price information.

Economics of a Pure Gold Standard, revised 3rd edition

by Mark Skousen

Foundation for Economic Education • 1996 • 192 pages • $14.95

Reviewed by Robert Batemarco

Early in his marriage, Ludwig von Mises told his wife that despite writing prolifically about money he was never likely to earn a great deal of it. Mark Skousen makes the case in *Austrian Economics for Investors* (subtitled Ludwig von Mises Goes to Wall Street) that the ideas of Mises and his confreres do indeed have money-making potential. Showing the importance of subjective elements in forecasting, the impact of government policies on economic growth, the behavior of different types of industries over the course of the business cycle, and the role of gold as an inflation hedge are but a few ways Skousen sees Austrian insights as helping the reader put his capital to work.

While *Austrian Economics for Investors* touches upon the topic of gold, the role as money of the metal Keynes once dismissed as "a barbarous relic" is discussed thoroughly in Skousen's *Economics of a Pure Gold Standard,* just re-issued by the Foundation for Economic Education. It goes one better than showing the reader how 100 percent gold reserve banking *might* work, by showing how it actually *did* work in seventeenth-century Amsterdam, Hamburg, and Venice. From there, it provides some unfamiliar details to the familiar story of how practices once considered criminal came to be venerable standards. Specifically, the author explains how money's fungibility (i.e., particular pieces of money not being specifically identifiable) led British courts to construe bank deposits as loans, culminating in the 1833 decision of *Pitts v. Glegg*, which conferred legal status and has not since been challenged to fractional reserve banking.

A thorough rendering of the views of hard money advocates, from the Founding Fathers through the Jacksonians, the British currency school, and Murray Rothbard, serves as prologue to a survey of the issues involved in a pure specie standard, including what the unit of account should be, whether to allow for private provision of coinage, and the role of banks under such a system. Free banking as an alternative to a pure gold standard is discussed here as well. Skousen also covers several perennial critiques of a 100 percent specie system including its purported costliness and violation of the sanctity of private contracts. In so doing, he shows the ease with which hard money proponents turn each of these arguments to the gold standard's advantage.

In the first case, they show how the cost of labor and capital expended to mine additional gold is dwarfed by the inflation, business cycles, bank failures, and hidden tax burden incurred under any regime with less than 100 percent reserves. In the second, their arguments hinge on the prohibition of fraud being a defense of private contracts rather than their violation. To the extent that depositors are informed about the banks' use of their money, this case is less than airtight. A stronger argument, conspicuous by its absence, is that any money creation which reduces the reserve ratio is really an act of counterfeiting.

While the economics of the gold standard is clearly this book's long suit, it stands out from mainstream treatments of these issues by dealing forthrightly with some of the ethical and philosophical issues of alternative monetary systems. Yet, the book ends with the sobering realization that the insights of the 100 percent gold standard advocates are necessary but not sufficient for breathing life into such a system. Or, as the author puts it, "the 100 percent specie standard, advantageous as it may be portrayed, can be instituted only through drastic reforms and economic disruptions. It may have theoretical beauty, but it lacks pedestrian attributes." Lovers of liberty can only hope that Skousen is as wrong about the prospects of returning to sound money as he believed Mises to be about the money-making implications of Austrian economics.

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The Privatization Process

Edited by Terry L. Anderson and Peter J. Hill

Rowman & Littlefield • 1996 • 274 pages • $62.65 cloth; $23.95 paperback

Reviewed by E. S. Savas

This is an interesting and excellent collection of essays related to privatization. Although a third of the chapters appeared elsewhere in different versions, the editors deserve credit for including those and commissioning the others. This eclectic group of contributions is dominated by the topic of property rights: half the twelve chapters focus on this issue —in Latin America, Mexico, Brazil, China, and post-communist countries.

The book might just as well have been titled *Prerequisites for Privatization*, rather than *The Process of Privatization*, for that is the emphasis of the readings on property rights. Only the chapters on New Zealand, the Czech Republic, and Mexico, and one on the specialized topic of spontaneous privatization in post-communist countries, can truly be said to discuss the process of privatization. The New Zealand case is an upbeat explanation, step by step, of why and how it was possible to carry out such wide-ranging economic reform in a democracy, contrary to expectations based on interest group politics. The chapter authors identify ten principles which guided successful economic restructuring there: (1) choose good people to carry out the process; (2) make quantum leaps; (3) do it fast; (4) build and maintain momentum; (5) be consistent and credible, because it builds confidence; (6) keep the public informed as to what to expect and when; (7) don't sell the public short; (8) maintain political composure to maintain public confidence; (9) get the fundamentals right; (10) stick to your guns.

The chapter on the process in Mexico provides a thoughtful and timely analysis of the privatization program carried out under President Salinas,