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management systems, differences in regional regulatory systems, and policy making with regard to e-commerce competition policies as well as the future of internet regulation in the United States—in particular with regard to privacy and security. All these are highly informative and useful. One remains, however, somewhat puzzled why the authors did not analyze with the same thoroughness the B2C evolution (e.g., global adoption of business models and paradigms like Amazon.com or E-bay), G2G or G2B evolution (growth in governmental initiatives that relate to economy), or the rise of new theories of organization. Had they done so they would have been able to offer a broader view of the internet's impact in all functions of a firm.

The book analyzes the internet as a new technological, social, and cultural phenomenon, and discusses innovation systems and institutions that relate to and can explain the adoption of the Silicon Valley model. The concluding chapter summarizes the main findings and also discusses the future of the internet economy, especially in relation to P2P models and copyright issues (all written by Bruce Kogut). The country chapters cover France, Japan, the United States, Germany, the Republic of Korea, India, and Sweden. The choice of countries, after reading the book, looks well justified, and the book offers a fascinating bird's eye view of the responses to the internet economy by the studied countries. These responses are varied and result from differences in institutional systems, and in funding and market opportunities. The choice excludes from analysis all developing countries, all post-socialist countries (e.g., Poland or Slovenia), and comparisons between advanced small countries (e.g., Sweden vs. Finland). So there is more ahead to expect in this arena in order to really understand the global nature of the internet.

Obviously, the research group faced enormous difficulties in coming to terms with such an elusive phenomenon as the internet economy. First, there is the quantitative question of how much the internet economy has influenced economic growth. This issue, as the authors clearly point out, is not one they are able to address due to measurement problems. Second, there is the question of whether economic structures are now different at the national level due to these countries' responses to the internet economy. The answer to both of these questions depends on a more fundamental categorical determination—what one regards as belonging to this "new economy." For example, Amazon.com clearly belongs to the new economy, while Barnes & Nobles may not be viewed as part of it, though both run similar businesses through the internet. The authors' way of cutting through this dilemma is not truly persuasive. They sometimes seem to be comparing apples with oranges within the country chapters, and in comparisons between different countries.

Another challenge has been how cultural, institutional, technological, and market related factors are woven into the analyses to explain the adoption and the success of the Silicon Valley model. Clearly, the model offers a fruitful way to look at the phenomenon, and to later pull together some plausible explanations. The approach adopted in the book, however, does not necessarily guarantee uniformity in the analyses and why things should relate to one another as they do. As a result, the country chapters— though illuminating and well written—do not necessarily follow the same logic in explaining what happened.

The author's interpretation of what is global is restricted by the adoption of a push side model of technological innovation. There is less analysis of the internet economy as a set of globally coordinated nodes of economic activity. As a consequence the discussion of what is global focuses on adoption dynamics, not systemic features of globalization. An annoying feature in the book is that it includes several small mistakes in its characterization of internet computing, and would have benefited from a separate chapter written by a technically competent person. Though these blemishes do not weaken the main findings they show that there is still a lot to be learned about the internet through collaborations between economists and computing specialists.

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Market Structure and Competition Policy: Game-Theoretic Approaches. Edited by George Norman and Jacques-François Thisse. Cambridge; New York and Melbourne: Cambridge University Press, 2000. Pp. xii, 293. $74.95. ISBN 0-521-78333-X.

JEL 2001-1494.

This volume is effectively a *festschrift* in honor of Louis Phlips. Louis Phlips was born in 1933 and has been in retirement since 1997. His

interests through his long and productive career centered on issues of competition policy as well as applied consumption analysis. This collection of papers relates to the former, which was his focus at the beginning of his career and towards the end. It is worth remembering that competition policy in Europe, and particularly the continent, was in its infancy when Phlips wrote his Ph.D. on collusion in the cement industry. Whilst in the United States the populist anti-big business sentiment lead to the Sherman and Clayton acts at the end of the nineteenth and beginning of the twentieth century, in Europe the process has been a gradual post-war development, based primarily on Article 81(1) of the Treaty of Rome (1957), which prohibits agreements between firms that distort competition. Phlip's career spans this development and he had a direct impact on how European policy makers thought about competition policy.

There are 12 papers with 16 authors, most of whom are well known. The title accurately reflects the content of the book. Claude d'Aspremont, David Encoua and Jean-Pierre Ponsard open the book by re-visiting the cement industry, in which high transport costs lead to an important locational dimension. The account is very well written and enlightening. In particular, they show how one of the main regulatory interventions, denying basing-point pricing, has lead both to more competition and higher concentration. Damien Neven provides a critical account of the evolution of legal practice in the implementation of European Union competition legislation. This is a slightly depressing read for an economist, since the commission has focussed on the presence of explicit co-ordination between firms rather than the exercise of market power. Game theory has established that in repeated games coordination is possible with no explicit mechanism, and economics tells us that it is market power per se which is (can be) bad. He provides some illuminating cases to show that current European practice is in need of reform. The issue of cooperation in repeated games is reviewed by James Freidman, who gives an excellent tour of the Folk Theorem and related results.

In his later career, Phlips pushed back our understanding of price discrimination. It is good to see a chapter on anti-dumping (AD) and predatory pricing by Mathew Tharakan. Of course, the AD action is a major tool in the trade war armory, which has been used largely by the big three world markets: North-America (NAFTA), the EU and Japan. However, as we know, the rest of the world is rapidly catching on, particularly the embattled South American economies. The legal concept of dumping is really out of line with economic theory. AD cases can be based on the fact that a foreign firm sells its goods for less than it does in some "home market." The impact of the AD cases on trade is possibly quite small in direct quantitative terms, but the threat of AD action is a form of harassment of foreign firms. Raise prices, or else!

The editors, George Norman and Jacques-François Thisse, consider one of the central issues in competition policy: Should pricing policies be regulated? Their main target of criticism is the structure-conduct-performance paradigm. They argue that competition policy itself can alter industry structure. Very simply, if regulation is too tough, industry structure may change for the worse: fewer firms, less choice for consumers. This is the same issue that Claude d'Aspremont and Massimo Motta explore in their chapter, reaching pretty much the same conclusion. Enforcing Bertrand competition may make consumers worse off than the case of Cournot competition.

John Hamilton looks at a specific aspect of retail selling strategy: the issuing of "rainchecks." These are coupons issued by stores when they have run out of discounted stock, enabling consumers to come back and purchase at the discounted price when new stock arrives. The important point is that issuing a raincheck alters the residual demand for your competitor. The consumer will return to you, not go over to the other retailer. Steve Martin looks at the effect of competition policy on technological innovation. He finds a U-shaped relationship: too much or too little competition can be bad for welfare. Xavier Wauthy and Yves Zenou look further into the relationship between regulation and innovation taking into account the labor market. The chapters by Gianni de Fraja and Jean-Pierre Ponssard both look at strategic and dynamic aspects of competition under regulation. Lastly, Andre de Palma and Robert Gary-Bobo consider the case of bank regulation.

Taken as a whole, this is a very good collection of articles. They cover both theoretical and practical issues raised by regulation in an up to date and concise manner. The two case studies of

cement and banking will be useful for those wishing to read a theoretically based analysis of these industries. Most of the authors are able to relate their work directly to Louis Phlip's work. This partly reflects the importance and centrality of Phlip's career to industrial economics, and these essays are certainly a fitting tribute to his professional achievements.

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Headhunters: Matchmaking in the Labor Market. By William Finlay and James E. Coverdill. Ithaca and London: Cornell University Press, ILR Press, 2002. Pp. 203. $29.95. ISBN 0-8014-3927-2. *JEL 2002-1084.*

This book turns the spotlight on an aspect of labor markets that has received very little attention in the academic literature: headhunting firms. "Headhunters," or search firms, are third-party institutions in the labor market that facilitate the matching of jobs and candidates. Employers use search firms to search for and recruit job candidates. William Finlay's and James Coverdill's book *Headhunters: Matchmaking in the Labor Market* makes an important contribution to the understanding of this often overlooked labor market actor.

The term *headhunter* actually comprises two types of search firms. The first type is the retainer-based recruiter, a category of firm that works on high-end searches (e.g., for senior executives, CEOs, and directors). Retainer-based firms are almost always hired on an exclusive basis to identify and interview candidates for a position. Such firms are paid a fee that, when the search is successful, is equivalent to one-third of the candidate's first-year compensation, although a recruiter of this type is paid regardless of whether the searching firm hires a candidate presented by the recruiting firm. Retained search firms are characterized by wide geographic reach, private-sector focus, and multiple industry experience. The second type of headhunter, the contingency-fee-based recruiter, accounts for about 85 percent of all recruiters. These firms differ from retained search firms in having a specifically local presence, specializing either on a few firms or a few types of positions, and focusing on mid- and lower-level managerial jobs as well as on technical and office-support jobs. In this book, the authors focus exclusively on contingency-fee search firms.

The authors offer two explanations for the presence of contingency-fee headhunters in labor markets. The first explanation is grounded in a transaction-cost logic according to which an actor situated between two or more others is in a position to create economic value relative to an actor who does not occupy such a bridging position. The most obvious advantage of bridging in a labor market comes from matching economic actors who are not aware of one another, thereby reducing search costs. In the labor market, headhunters' bridging role is carried out through the use of extensive databases and contacts to identify a broad array of candidates; the use of knowledge about candidates and their preferences to narrow the candidate pool; and the management of a complex employment transaction that would be more costly if done by a firm's human resource department.

It is true that, for a market to function well, buyers and sellers need to know each other's identities and to have good information about each other. Yet as we know from considerable research in sociology, and more recently in economics, these requirements explain nothing about the actual role of intermediaries in complex intermediated transactions. For one thing, as the authors point out, the employment relationship is not simply an economic one but an intensely social one as well. In the context of a search, this points to the authors' second, and more interesting, explanation for the existence of headhunters. Based on field interviews and an in-depth examination of several searches, the authors point to the search firm's role in acting as a buffer between employers and candidates. Before an employment relationship is formed, buyers and sellers must be convinced that they have shared interests and the potential for a mutually beneficial transaction. By acting as a buffer between market participants, the intermediary can improve the likelihood of a successful match based on these criteria. For example, if a search consultant has the trust of the parties on both sides of the transaction, he or she can reduce uncertainty by controlling the flow of information between the actors, thereby creating a basis for actors on