wheat market due to competition from low-cost American wheat exports,[3] and might reasonably have been expected to gain from a price-stabilizing cartel. In contrast, U.S. wheat farmers, as low-cost producers, had little incentive to participate in an international cartel. Economics, rather than ideology, probably affected the secretary's response to the Russians. Similarly, Higgs attributes President Grover Cleveland's policy of making secret, below-market deals for the sale of government bonds to "the Titans of Wall Street" (p. 89) to the president's commitment to maintaining the gold standard, mentioning only in passing that the aforementioned "Titans" subsequently made huge profits on the deals. Yet he ignores the possibility that rent seeking, and not the ideology of sound money, may have influenced the policy.

Nevertheless, this is an excellent book. It presents a solid history which is fun to read. Hopefully, sometime soon Higgs will write what Hollywood might term a "prequel," addressing the interesting history of government prior to 1900.

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Searching for Safety
Aaron Wildavsky
New Brunswick, N.J.: Transaction Books, 1988, 356 pp.

When confronted with the choice between the familiar hazards of slavery and the unknown risks of entering the promised land, the Children of Israel chose safety. For this timidity they wandered 40 years in the wilderness. Then a less fearful generation arose. A latter-day Caleb, Aaron Wildavsky, exhorts the modern public to accept the risks of entering the land of milk and honey.

In an engaging, original, and thought-provoking polemic, Wildavsky attempts to reframe the public perception of societal risk management. By focusing upon the management of low probability/high severity (or catastrophic) risks, he makes three major points.

First, risky and wealth-increasing aspects of economic activity are not easily separable. One cannot often achieve greater wealth without greater risk. Second, wealthier is safer and healthier. In historical and comparative perspective, materially rich societies enjoy far longer life expectancies and suffer fewer occupational injuries than poor societies. Third, resilience from accidents should not be sold short when compared to anticipatory risk avoidance. An ounce of prevention is not always better than a pound of cure.

Wildavsky's monograph is useful because these propositions are not widely accepted. Indeed, this work can provide welcome balance in a classroom

[3]See Vladimir P. Timoshenko, *Agricultural Russia and the Wheat Problem* (Stanford, Calif.: Food Research Institute, 1932), p. 479.

setting. Confessing to no major disagreement with Caleb, I must sink to the quibbling that is customarily expected of the reviewer.

On the inextricability of wealth and risk, there cannot even be a quibble in the broad human perspective. (The positive correlation of risk and return in the aggregate is a virtual law of finance.) Economic development has depended critically upon the creation of risk-spreading institutions, like corporations or insurance. The function of these institutions is to reduce the financial impact of risk upon particular individuals so that individuals in the aggregate can take more risks. Pessimists might demur, arguing that the jury is still out on the consequences of such technologies as nuclear weapons, genetically engineered microorganisms, or chlorofluorocarbons. While the pessimist's fear of what might be cannot be invalidated, the tangible abolition of plague, famine, and widespread infant mortality in technologically advanced societies is irrefutable.

Wildavsky's second point is that short-run risk-taking has resulted in a level of material wealth that has produced a safer society. Risk-taking results in accidents from which we learn, and learning enhances future capabilities. More important than medical technology were improved nutrition, shelter, sanitation, and detergents in reducing mortality over the last century. This proposition is undoubtedly correct on the average, but not necessarily so on the margin. In a classic study of mortality rates in advanced countries, Victor Fuchs observed an inverted U-function.[1] The American infant mortality rate exceeds that of most industrialized nations. In this country, relatively poor Utah has much higher life expectancy than wealthier Nevada. Clearly, life-style—the stress and sedentarism of wealth-creating activity and the calories, animal protein, and alcohol that wealth buys—is a major factor. At the margin, Wildavsky does not demonstrate how increases in absolute wealth (as opposed to relative position in society) generates health, other than by enhancing the capacity to purchase medical technology, which he downplays. He also pays insufficient attention to technological advances such as enhanced diagnostics and improved pharmaceuticals. His neglect undercuts the complaint against exhaustive testing, which delays the release of innovative pharmaceuticals.

The third theme is the power of resilience in dealing with the aftermath of accidents compared to anticipatory planning to avoid accidents. In two fascinating chapters, Wildavsky illustrates the ability of the human body to overcome infectious diseases and the capacity of ecosystems to recover from disruption.

The anticipation-resilience distinction is commonplace in the risk-management literature, although the terminology among professionals differs. Civil defense planners contrast hazard mitigation with emergency response capabilities. Insurance professionals distinguish between loss prevention (before the accident) and loss protection (after the accident). Good risk management involves both anticipation and resilience.

[1]Victor Fuchs, *Who Shall Live? Health, Economics, and Social Choice* (New York: Basic Books, 1974).

The public policy issue is how to balance resilience and anticipation. In dealing with a familiar technology whose consequences are not catastrophic, anticipation/mitigation/loss prevention are fruitful. In dealing with unfamiliar technologies, anticipation is difficult if not impossible. In this case, developing a generic resilience/emergency response/loss prevention capacity may be more cost effective.

An important resilience strategy is to spread the financial loss of accidents caused by a new techology. Indeed, those widely beneficial technologies that concentrate their costs on a few hapless victims are the least acceptable.[2] Surprising, Wildavsky is highly critical of a major American institution for providing resilience, the tort system. However arbitrary its results, it may render technological risks more acceptable, not less.

This point returns us to Wildavsky's purpose, reframing the public perception of societal risk management. Can a polemic, even one as excellent as this, alter public perceptions? Are these perceptions amenable to change through rational argument? Or, do these perceptions reflect deep, quasi-religious emotions about environmental purity and equity?[3] If so, might perceptions be altered by objective changes in compensation mechanisms? Unless perceptions of risks change, are we doomed to wander for a generation in the desert of technological stagnation?

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Socialism: Institutional, Philosophical, and Economic Issues
Svetozar Pejovich, ed.
Dordrecht, The Netherlands: Kluwer Academic Publishers, 1987, 322 pp.

This book is a collection of twelve papers, only two of which have appeared elsewhere. Eleven were written by economists and one by a philosopher. Half of the papers were presented at a Liberty Fund Symposium on Socialism in 1985, and one is the Presidential Address given at the 1986 meetings of the Mont Pelerin Society by Nobel Laureate James Buchanan. Of the twelve scholars represented in the volume, four are American and eight are European.

The papers are grouped into three parts: "Rights, Institutions, and Public Policy"; "Socialism: Philosophical Issues"; and "Socialism; Economic Issues." These rubrics give the flavor and intellectual scope of this stimulating collection, which seeks to explain why socialism everywhere has fallen so far short of achieving the economic outcomes expected by its proponents. The papers in Part I by James Buchanan, Pedro Schwartz, and Karl Brunner delineate the interdependence of individual liberty, societal institutions, and public policy in shaping economic outcomes.

[2]Paul Slovic, Baruch Fischloff, and Sarah Lichtenstein, "The Psychometric Study of Risk Perception," in Vincent T. Covello, Joshua Menkes, and Jeryl Mumpower, eds., *Risk Evaluation and Management* (New York: Plenum Press, 1986), pp. 3–24.

[3]A position argued by Milton Russell and Michael Gruber in their paper "Risk Assessment in Environmental Policy-Making," *Science* 236 (17 April 1987): 286–90.