

chapters and illustrated in a figure contrasting chaos, autocracy, and democracy with government-banker partnerships, banking systems, and outcomes. Finally, the authors pull it all together in the concluding section of the book by applying their methodology to broader international experiences. They compile a group of the “very successful six” (Hong Kong, Singapore, Malta, Australia, Canada, and New Zealand) and then a broader list of the “successful thirteen.” The common characteristics of these countries are that they are “city-states, islands or democracies with institutions that limit populist currents.”

Fragile by Design is an elite example of those books that draw lessons from the recent financial crisis. Thankfully it is not written by insiders who are leveraging information asymmetry to engage in a self-serving defense of crisis interventions. Nor is it written by a journalist focusing more on the people and personalities of the crisis than on the substantive policy. At its core it is a methodology presented with clear supporting case studies and extensively documented citations to underlying factual bases with a clear focus on the policy choices that can be made to avoid future crises. As compared with *This Time Is Different*, if you want a database of cross-country experience with some cursory definitions of the differing types of crises, then Reinhart and Rogoff’s tome is useful. But, if you want a methodology for drawing conclusions about the genesis of crises and an explanation for the differing experiences among countries, *Fragile by the Design* is the winner hands-down.

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Unstoppable: The Emerging Left-Right Alliance to Dismantle the Corporate State

Ralph Nader

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Ralph Nader’s new book, *Unstoppable: The Emerging Left-Right Alliance to Dismantle the Corporate State*, seeks to craft a left-right alliance capable of challenging corporate welfare. Given the media’s focus on cronyism and the ire over continued bipartisan support of special favors to special interests, the book is timely. America, as James DeLong has noted, is becoming a “special interest state,” and

the time may well be right to restore the constitutional focus on the “general welfare of the electorate.”

Nader, sadly, does not address the roles played by the full array of special interests groups, concentrating only on business. Rather than using the “special interest state” language of DeLong, Nader talks only of “corporatism.” But many other labels have been suggested: cronyism, crony capitalism, crony socialism (coined by Cato Institute President John Allison), and crony statism (the term preferred by Americans for Tax Reform President Grover Norquist). Whatever label it goes by, it should end.

Economic subsidies or competitor-crippling regulations not only weaken our economy, they also undermine the rule of law and threaten the moral basis of capitalism. Profit-side capitalism and loss-side socialism merit strong disapproval from both left and right, and perhaps a successful joint effort against corporate welfare might encourage a broader effort against subsidies to other interest groups. That possibility offers some hope that Nader’s appeal might have a bright future.

That appeal, however, is made less likely by Nader’s anti-business views. He consistently places most blame for crony socialism on corporations, refusing to see the role often played by ideological groups and governmental agencies. Moreover, his critique of corporate welfare soon expands into a general attack on the corporation. In Nader’s view, corporations are rapacious institutions, seeking only to maximize their power to the detriment of consumers and the citizenry. But the modern corporation evolved from the voluntary, bilateral exchange arrangements championed by Adam Smith. The corporation is simply a more complex array of multilateral, voluntary exchanges. It’s true that corporations—like earlier economic arrangements—too often fall into cronyism. Still, the power of even the largest firm is disciplined by competition and pales in comparison to that of Leviathan.

Nader’s argument that Adam Smith himself was critical of the “corporation” fails to note that his ire was directed at the East India “Corporation,” more a government-sponsored enterprise (GSE) than a modern firm. Few conservatives view GSEs as examples of the free market. It is worth noting that, until the Joint Stock Companies Act of 1844, all joint stock companies in Great Britain required a special charter from the crown. Until general incorporation statutes, the ability to form a corporation was an elite privilege.

In his most helpful chapter, Nader outlines the difficulties that must be overcome to realize a left-right alliance. I've participated in such coalitions and found his list insightful. His first point is that ideologues are passionate and find it difficult to work with those holding conflicting priorities. Moreover, right/left group leaders will likely face internal resistance to any cooperation with "the other side." Also, strange-bedfellow alliances are complex and fragile, thus risky. Time is needed to develop the necessary trust for any alliance to coalesce—time that may not be available in the fast-paced world of politics. Even in the best of circumstances, alliance participation will require some diversion of resources that might sideline some long-term commitments of the group. Finally, unless handled carefully, a group's participation in such alliances may antagonize its allies and donors. I'd also add one more challenge: the fear that a victory for an agreed upon goal might still selectively strengthen the ability of one's opponents, enabling them to advance policies one opposes.

In light of these difficulties, Nader suggests a new type of organization, one composed of individuals who've successfully worked with those holding diverse values. And, perhaps, it would be helpful to create such an "arbitration-style" group to clarify each participant's core values and craft policies designed to advance them all. Still, the point is clear that left-right alliances are hard to achieve.

With these difficulties in mind, perhaps *Unstoppable* should be read less as a prescriptive road map than as an opening bid at a dialogue. Greater interaction, more face-to-face conversations, exploration of specific reform ideas, and a greater willingness to explore creative policies that might advance the values of both sides—all may reveal areas for cooperation not obvious at this time.

While Nader does reach out to free-market types, he is a bit too quick to reject the reasons we so often disagree with our friends on the left. One example was his interaction with Ed Crane, then president of the Cato Institute. Crane, in response to a Nader request to join in an anti-corporatist campaign, noted that, while he was indeed anti-corporatist, he was anti-statist first. Nader saw Crane's response as a too-quick rejection of an effort to reach agreement on a narrower issue. Crane, I suspect, was reasonably cautious about signing on to what might well have been seen as "anti-corporate." Indeed, that is one of the difficulties that Nader himself has recognized.

Nader should have dug a bit deeper into how free-market types view corporatism. Free-market economists see cronyism as an aberration, not a characteristic, of capitalism. Moreover, such policies are viewed as the result of an often complex interaction between governmental agencies and economic and noneconomic interest groups. Finding ways to disentangle this array of forces is a complex undertaking of sorting out the “good,” the “bad,” and the truly “ugly.”

Bruce Yandle, a groundbreaking public choice economist, has attempted this sorting-out task through his well-known description of Bootlegger/Baptist alliances. He derives this term from the debate over the pros and cons of repealing alcohol prohibition policies. The visible moral voice for supporting prohibition came from religiously inspired activists (the “Baptists”) who sought to eliminate the temptation of alcohol in order to make the country more virtuous. The less visible economic voice for retaining prohibition came from the black-marketeters (the “Bootleggers”) who found these policies profitable. While the motives of the two could not be more different, they both worked in parallel to advance and protect Prohibition.

Bootlegger/Baptist alliances, or economic/moral-intellectual alliances, are—for good or bad—dominant features of policy changes in our market democracy. Sometimes the result is cronyism. Corn farmers, for example, worked closely with alternative fuel activists to enact renewable fuel mandates and subsidies. But, on occasion, corporate subsidies were curbed by similar alliances, such as opposition to the Clinch River Breeder Reactor subsidy program in the early 1980s, which Nader describes in the book. Such alliances are powerful because they combine economic clout with moral fervor. Which alliance partner is more significant, whether such alliances yield “good” (or “bad”) results is an open, fact-specific question. The point remains, however, that strange-bedfellow alliances are an integral part of America’s political system.

Nader’s goal of curbing “corporatism” would have been stronger had he recognized that noneconomic groups (Baptists) are often just as important as for-profit corporations (Bootleggers). While he does criticize right-of-center groups for blindly supporting business interests (sometimes true), he spends little time critiquing left-of-center groups who, for ideological reasons, reflexively support government agencies or specific businesses. That selective view of interest groups—right groups being seen as naïve or even corrupt, leftist

groups being seen as idealistic and farsighted—isn't helpful to building alliances.

And, indeed, Nader partially recognizes this reality. He argues that, while governmental agencies like Fannie Mae and Freddie Mac championed irresponsible homeownership policies, they also had the “hefty approval of the home builders and realtors.” He might also have noted the bipartisan support for policies promoting homeownership. Republicans believed that “homeownership encouraged virtue,” while Democrats argued that “homeownership was a right.” He also neglects the critical role of housing advocacy and anti-poverty groups like ACORN.

In democratic market economies, the moral cover provided by ideological groups may be more important than economic incentives. If reforms of the type Nader envisions are to become realities, then an alliance including both Bootleggers and Baptists will be necessary. It is strange that Nader, an ideologue himself, assigns so little prominence to the role of the “Baptists” in promoting the “special interest state.” Libertarians find this neglect worrisome. Does anyone really believe that the major regulatory interventions of the last century, from the FDA to the EPA, to Dodd-Frank and Obamacare, were initiated by business?

Of course, business—once a regulation seems inevitable—will push for special solicitude. This may simply be defensive, making the rules less damaging to the firm and to the economy, or it may aim at crippling a competitor. Yet, in many cases, while Big Business is a factor in the details of the final legislation, the initiating role was played by Big Ideologues.

Nader includes a list of 25 reform targets that he believes *should* gain broad support. A few seem promising, including auditing the Department of Defense, limiting war powers, expanding civil liberties, addressing the “too big to fail” attitude toward financial institutions, and rethinking the war on drugs. Agreement on any of these, of course, would depend upon the details of the reforms proposed. But he also includes among his proposals many that free marketers would reject, including ending corporate personhood, restricting campaign finance, dramatically expanding “citizen” standing to sue corporations, and protecting children from “commercialism.” A shorter list focused on less bread-and-butter progressive goals would have strengthened his alliance appeal.

As a longtime political advocate, Nader focuses on policies rather than values. While interest-group politics alone may prove decisive when a policy has attracted little public attention, the citizenry must be engaged if we ever hope to resolve major, bipartisan issues. If public opinion rejects a reform idea, it is unlikely to become law. Thus, in a world of “rationally ignorant” citizens who have little reason to become politically informed, Nader might have discussed the disparate values that motivate the left (fairness, justice) and the right (freedom, independence). Those disparate values make agreement on any policy less likely unless most citizens see a reform as advancing core values. Successful alliances will have to craft policies and narratives to communicate to the public. Nader spends too little time discussing that challenge, claiming instead that “we all want” reform.

Since many on the right clearly disagree, he can only offer conspiracy-theory style explanations for why so many conservatives resist progressive reform ideas. According to Nader, corporate interests have deviously manipulated the media (and thus the political process) to thwart the will of the people. A better explanation would involve understanding how different people perceive various policies as either advancing or threatening their core values. Focusing on values can more effectively communicate the virtues of policy solutions on which there is broad value agreement.

Consider one of Nader’s policy recommendations, “prioritizing the protection of the environment.” In his view, making environmental protection a higher priority means giving more authority to the Environmental Protection Agency, the Department of Interior, the U.S. Forest Service, the Fish and Wildlife Service, and other agencies. As usual, he favors strong government intervention, and he gamely endeavors to convince conservatives (and at least some libertarians) that they should as well.

Nader’s arguments rely on a highly selective citing of “conservative” authority figures. He first reminds readers that Theodore Roosevelt (a Republican!) appointed progressive Gifford Pinchot to a key natural resource protection position. He notes: “Over a hundred years ago, they were the activists who established the national forests.” Presumably readers are supposed to agree that if government ownership of forests was good enough for a man whose face is on Mount Rushmore, then it should be good enough for conservatives today. Putting aside the questionable track record of the U.S. Forest Service in actually protecting forests, it is a significant leap

from Teddy Roosevelt's national forest initiatives to EPA's current micromanagement of much of the nation's economy.

In his attempt to seduce conservatives on environmental policy, however, Nader enlists an even more powerful proponent: Russell Kirk, whom he calls the "grand savant of modern conservatism." Nader provides a strong (and rather amusing) quote from Kirk that seems to address *Unstoppable's* exact premise: "The issue of environmental quality is one which transcends traditional political boundaries. It is a cause which can attract, and very sincerely, liberals, conservatives, radicals, reactionaries, freaks, and middle class straights." Nader is not the only one making this point; contemporary conservative writers like Rod Dreher and David Frum have cited Kirk's work when arguing that political conservatism is entirely compatible with environmentalism.

So should conservatives (and their libertarian allies) be signing up for Greenpeace memberships? If all you have is Nader's selective summary, perhaps. But there is a lot more to sound environmental policy than simply liking forests and wanting clean water. There's also the question of what kind of legal framework will deliver those desired results with the fewest undesirable side effects. Free market advocates have long argued that environmental protection is better advanced when property rights are strong and are extended to resources such as water, forests, and wildlife.

In effect, we reject the "government is better at protecting resources" argument, opposing the view that trees should have legal standing (that is, appointed government protectors) in favor of the view that behind every tree should stand a private owner who, by protecting her property, protects part of our planet. Nader's and his allies' preferences for state control violates conservative and libertarian principles. Given that the EPA has become one of the most powerful of the federal regulatory agencies, and the one most threatening to economic liberty, recommending enhancing its power—in a book seeking alliances—is strange.

Nader's approach to persuading people on the right (he seems largely content with the views of those on the left), both on environmentalism and many other issues, is of the confident technocrat who says, "See, we all really want the same thing. Just agree with me on the goals and I'll figure out the details for both of us." But even assuming many will agree on final goals, not every path to a virtuous goal is a wise one. The surface-level agreement on ends that Nader

emphasizes masks a much more fundamental disagreement on means. Libertarians are not primarily utilitarians—we value freedom and that value is too often threatened by arguments that “a national unified state approach is most effective.”

Nader is deeply suspicious of corporate power, while conservatives and libertarians are more critical of state intervention. We agree that businesses influence policy, but we also emphasize that ideas matter and that ideological groups have played a critical role in advancing the current size and scope of government. Big Business is sometimes seduced—or terrorized—into submission by Big Government, and they often support initiatives championed by statist intellectual groups. Yet this underscores the classical liberal view that one can have good government and one can have big government but one cannot have good, big government.

Thus, it is no surprise that the rather large set of policy areas where Nader hopes left and right can collaborate will not attract many right-of-center individuals. Still, a dialogue between left and right about strategies to fight the specific issues of corporate welfare (or crony socialism) would be a welcome consequence of Nader’s effort. *Unstoppable* should be viewed as an opening bid in the negotiation process.

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