

# In Review

## The Thing! The Thing Itself

Reviewed by Michael C. Munger

### WHY PEOPLE DON'T TRUST GOVERNMENT

by Joseph S. Nye Jr., Philip D. Zelikow, and  
David C. King (editors)

(Cambridge, Mass.: Harvard University Press,  
1997) 337 pages

**E**DMUND BURKE SAID IT BEST: In vain you tell me that Artificial Government is good, but that I fall out only with the Abuse. *The Thing! the Thing itself* is the abuse! Observe, my Lord, I pray you, that grand Error upon which all artificial legislative power is founded. It was observed, that Men had ungovernable Passions, which made it necessary to guard against the Violence they might offer to each other. They appointed governors over them for this Reason; but a worse and more perplexing Difficulty arises, how to be defended against the Governors? (*A Vindication of Natural Society. Or, a View of the Miseries and Evils Arising to Mankind from Every Species of Artificial Society. In a Letter to Lord \*\*\*\* by a Late Noble Writer, 1757* [Edited by Frank Pagano. Indianapolis, Ind.: Liberty Fund, 1982], pp. 64-65, emphasis added.)

Time for a pop quiz, multiple choice. First, a subjective question: Which of the following is the worst idea? (a) Gather a bunch of conservatives wearing pastel bicycle shorts (spandex!).

Michael C. Munger is associate professor of political science at Duke University.

Take color photographs and publish the result as a calendar. (b) Convene some internal specialists and ask them to write a book: "Why People Don't Like Intestinal Disorders." (c) Gather a bunch of professors from a policy school and have them write a book: "Why People Don't Trust Government."

Okay, that was a trick question: those are all bad ideas. Idea (a) is horrible (picture it: Yikes!). Idea (b) would not work because it is just too obvious: intestinal flu is bad, so of course people avoid it. No one would buy that book. Idea (c) is equally bad, because...well, think about it. How likely is it that we are going to hear about problems in government from people who worship it?

Now, the real question, the one that counts for your final grade: which of the three things was actually done, and published? The answer is (c), of course. As you might expect, the answers in this book focus on misperceptions by citizens and have little to do with mistakes of government. Nowhere can be found the libertarian perspective: "The Thing! the Thing itself is the abuse!"

The contributors to this edited volume are members of the Harvard faculty, mostly from the Kennedy School. There is an insiderish, self-congratulatory air to the whole thing: the list of "Contributors" does not even bother to list university affiliations for most participants. It is as if we should just know that Susan Pharr, "Dean of the Faculty of Arts and Sciences," holds that position at Harvard. The one exception to the "Harvard only" rule is Ronald Inglehart, whose perspective qualifies him as

an honorary Kennedy man.

The gathering of so many worthies reminds me of Wilhelm von Humboldt's famous description of the intellectual opportunity cost of government "studies":

We must not overlook here one particular harmful consequence, since it so closely affects human development; and this is that the administration of political affairs itself becomes in time so full of complications that it requires an incredible number of persons to devote their time to its supervision, in order that it may not fall into utter confusion. Now, by far the greater portion of these have to deal with the mere symbols and formulas of things; and thus, not only are men of first-rate capacity withdrawn from anything which gives scope for thinking, and useful hands are diverted from real work, but their intellectual powers themselves suffer from this partly empty, partly narrow employment. (*The Limits of State Action, 1854* [Edited by J. W. Burrow. Indianapolis, Ind.: Liberty Fund, 1993], pp. 29-30)

### NORMATIVE "MODELS"

IN TEN CHAPTERS, PLUS AN INTRODUCTION and conclusion, the editors and their contributors evaluate (I cannot say "test") many of the main hypotheses advanced in the academic world for "why people don't trust government." As a starting point, Joseph Nye Jr. points out that there are three "normative models" (p. 7) of what government should do:

(1) The microeconomist's view: "Government plays a limited but crucial role in providing defense, establishing property rights, maintaining justice, and creating public works and insti-

tutions that make commerce possible.”

(2) The macroeconomist's view: “Government should also dampen business cycles and pay attention to distributional effects of markets. Certainly, management of the economy now seems to be part of what the public wants, for electoral studies show that the strongest predictor of presidential elections is the condition of the economy.”

(3) The civic virtue view: “Government should go beyond economic concerns and become involved in promoting the public and private virtues of the republic. Purely neutral government is impossible, because citizens want some discussion of what is good.”

Obviously, the proxy for libertarianism in this list is the “microeconomist's view,” which really does not work very well. The efficiency-based, “market failures” approach to justifying government action is quite different from the philosophically minimal state of Locke, Jefferson, and Mill, and bears little resemblance even to the conception of such economists as von Humboldt, von Mises, or Hayek.

Having now brought this up twice, I will let it rest. Still, it is surprising that a book about mistrust of government would fail to consider the most obvious explanation: government might be worth mistrusting.

## THE ESSAYS

THE FIRST ESSAY, BY HISTORIAN ERNEST May, is impressive in its scope and erudition. I am tempted to use this in class or as a reference. Professor May weaves together disparate themes in the history of government and the history of ideas, in a way seen all too rarely in debates about the role of government. He points out something we all know, but act like we forget: *The Wealth of Nations* was Adam Smith's *second* book. Smith, and Mandeville, were not so much criticizing government as they

were laying a foundation for a new kind of moral philosophy, in which the economy (and economists) were simply a means to an end.

May does not quite understand the economy, of course. One of the clearest examples of the perspective of this essay, as a microcosm of the entire book, can be found in one passage. Here, May avers that government policy in the nineteenth century amounted to redistribution of wealth

---

## The very foundations of our constitutional system of divided powers reflect mistrust of government, or of governors.

---

in favor of capitalists. While Britain and most European nations were loath to create corporations, American states did so eagerly. After 1810, Massachusetts was chartering more than one hundred a year. This permitted mobilization of capital without the risks involved in entrepreneurship by individuals or partnerships. (p. 35)

That is not exactly how I teach it. One could stop well short of Adam Chandler's celebration of the limited-liability, joint-stock corporation (*The Visible Hand: The Managerial Revolution in American Business*; Cambridge, Mass.: Belknap Press, 1977), yet still find astonishing the claim that the corporate form is a fig leaf for redistribution to “capitalists.”

The failure of “Britain and most European nations” to allow corporations is in fact a good explanation for the stagnation of their economies. Over the same period, the U.S. corporate form flourished and allowed the growth of huge capital-intensive businesses. Corporations transformed America from an agrarian backwater to an industrial powerhouse in the span of 50 to 60 years. May, and his colleagues, seem unable to accept that transformation because government neither caused it nor controlled it.

I can give some flavor of the remaining essays rather more briefly. Derek Bok makes a sensible point: people are clearly dissatisfied with government, but is their dissatisfaction based on accurate information? His conclusion is surprisingly equivocal: it seems that at least some of the blame laid on the federal government is justified, but (at the same time) there is little that any government official could have done differently.

Gary Orren contemplates the loss of confidence in and esteem for public officials, and offers the usual list of offenders: ravening media wolves, rising expectations of citizens for “performance,” and moral peccadilloes of the solons themselves. Once again, however, there is nothing that “government” could

have done differently. The blame falls on the abuses, never on the thing itself.

Four alternative explanations for declining public trust in government are considered by Robert Lawrence (economic stagnation), Jane Mansbridge (social overload and the breakdown of community), David King (political infighting and ideological polarization), and Richard Neustadt (“Vietnam, Watergate, and stagflation, in succession, and since then secular stagnation in real incomes of two-thirds of our families, crowned by ‘downsizing’”). Lawrence, Mansbridge, and King are circumspect about whether their diagnoses are very good ones, and (in this reader's opinion) they passed their prose through some rhetorical encryption filter when writing their respective prescriptions.

It is not clear whether Neustadt would have to predict an increase in trust, now that incomes of the poor, and even the poorest, have rocketed upward with the economy. Neustadt does make an interesting point, however: the level of trust may not matter much, in and of itself, because of our system of separation of powers. Mistrust may not bring governments down; it just makes “governance hard, frustrating and sluggish, something akin to traversing a field covered in

molasses... Those engaged may hate it. Observers may deplore it. Not everyone loses by it. Libertarians may think everybody gains" (p. 181).

The next three essays (by Robert Blendon and six co-authors, Ronald Inglehart, and Susan Pharr) are analyses of public-opinion data. Blendon et al. consider the apparent disparity between attitudes and knowledge, reminiscent of Dwight Yoakum's country lyric: "You don't know me, but you don't like me." Inglehart views the data through his "postmaterialist values" lens and attributes the broad downward trend in public trust to the success of capitalist economies in creating and maintaining high standards of living. When people feel economically secure, they will always be less trusting of government leaders, precisely because they are less likely to fall prey to the "authoritarian reflex," or the adulation of powerful leaders who promise security.

When the point is reached at which most people take physical survival for granted, significant numbers of postmaterialists begin to emerge. Although postmaterialists have higher levels of income, education, and occupational status than materialists do, they do not manifest higher levels of subjective well-being. Postmaterialists take prosperity for granted and focus on other aspects of life, such as politics and the quality of the physical and social environment (p. 219).

It may seem that this confuses the measurement of the phenomenon with simply naming it, but that would not be a fair criticism. Inglehart is famous (in political science, at least) for creating an index of "postmaterialist values." Thus, it is plausible that, if his explanation is correct, all the nations with relatively higher levels of "postmaterialism" will have lower levels of trust. Alternatively, at the micro level, there is the testable proposition that citizens who score high on the postmaterialist values index will manifest low trust.

I was briefly excited at the prospect of an actual test of a hypothesis, but my hopes were dashed. Inglehart does not carry through on his promise of "explaining" the decline in trust by an increase in postmaterialist values. As with the other essays in the book, he

simply observes that there appear to be some broad trends (postmaterialism up, trust down), and that this *may* be the explanation, though of course more study is required. Presumably, the government should fund the study, and lots of people could work on it.

Susan Pharr gives a comparative perspective on the phenomenon of mistrust, examining the decline of trust in government in Japan. She points out that several of the most obvious differences—including the age of democratic institutions, a larger difference between local and national politics, and the long-term economic malaise—are at best partial explanations of the Japanese experience. There is something more general going on, apparently.

One difference, or what used to be a difference, does shed some light on the Japanese citizen's view: for decades, mistrust of elected officials in Japan's corruption-infested political system did not metastasize into perceptions of the bureaucracy. Japanese bureaucrats were, in the minds of Japanese citizens, very close to Max Weber's ideal of neutral competence. But that view has changed dramatically in the past two decades; now, appointed officials are only slightly more trusted than elected leaders.

The last essay, a conclusion written by Nye and Zelikow, reiterates the basic theme of the book. Performance of government is not to blame, and if there are problems they result from a lack of responsiveness by elected officials to the needs of the people, not bad management by bureaucrats. Nye and Zelikow conclude, drawing from the information in Derek Bok's chapter on performance, that the performance of the U.S. government really is worse than that of six other "industrial democracies": Britain, Canada, France, Germany, Japan, and Sweden.

The "performance" being talked about, of course, is a laundry list of the things life-arrangers hold dear, including minimizing unemployment, labor-market management policies, affordable housing, percentage of waste recycled, support for the arts (above and beyond subsidies to ticket prices), parental leave policies, a national health

system, and "effectiveness" of welfare and other wealth transfer programs.

More simply, Nye and Zelikow solemnly pronounce their agreement with the naysayers: our government really is bad! But the reason is not that the government is doing a bad job; rather, those pesky conservatives keep blocking the construction of the welfare state! That is the sort of society which (at least at the Kennedy School) is the standard against which any government's performance should be judged. If only we could be more like France. Now, *there is* a good government....

## FINAL WORDS

I WOULD LIKE TO OFFER MY OWN ANSWER to the question "Why don't people seem to trust government?" The answer is ancient, and it answers the question with a question. As Juvenal asked in his sixth satire, "*Quis custodiet ipsos custodes?*" (Who will guard the guardians?) Plato, in the *Republic*, has Socrates and Glaucon give this exchange: "Surely the guardian is the last man in the world who should be allowed to get drunk and not to know where on earth he is!" "That would be ridiculous. A guardian to want a guardian himself!"

The idea that the "guardian" would need no monitor was a conceit of Plato; it had no part in the framing of the U.S. system of government. The very foundations of our constitutional system of divided powers reflect mistrust of government, or at the very least a mistrust of the governors.

Yet the modern political scientist wonders why people do not trust government. Ludwig von Mises gave an interesting reconciliation of the apparent contradiction on which most of the commentary in Nye, Zelikow, and King is based. How, our Cambridge crew asks, can we credit citizens' attitudes (i.e., they do not like government) when we can illustrate the problems citizens have learning accurate information (i.e., they do not know much about government). As von Mises noted:

Bureaus specialize in the supply of those services the value of which cannot be exchanged for money at a per unit rate.... As a

consequence ...bureaus cannot be managed by profit goals and "the economic calculus."...In the absence of profit goals, bureaus must be centrally managed by the pervasive regulation and monitoring of the activities of subordinates. (*Bureaucracy* [New Haven, Conn.: Yale University Press, 1944], pp. 47-49)

That is, it is tempting to try to reform government agencies, to revise organization charts and create new bureaucracies and scrap old ones. It is hard to understand what is going on, but it seems that we could do better if we could just get the right people in office to run things. People do not really understand what is wrong, it is true, but they are right to believe that *something* is wrong.

But if, as von Mises claimed, bureaucracy is the *sine qua non* of the territorially extensive state, then criticism of bureaucracy is wrong-headed, and attempts to reform through reorganization may be disastrous. Bureaucracy cannot be improved, and its performance is simply not comparable with that of profit-seeking organizations. The incentives and hierarchies in the two forms are fundamentally different.

Citizens may say, and believe, that the problem is unresponsive bureaucracy, or corruption, but these are the essential features of governments of large nations. The solution is a citizenry that truly understands the economic and political forces that make government inherently incapable of carrying out the tasks we want to assign to it. But that understanding clearly is beyond the reach of the members of the news media, who themselves lack the requisite training.

What about the educational system? As William Niskanen has pointed out, von Mises concluded his discussion "with the hope, almost pathetic in retrospect, that a broader education in economics will reduce the popular support for large government and the consequent pervasive bureaucracy" (*Bureaucracy and Representative Government* [Chicago: Aldine-Atherton, 1971], pp. 7-8). Not much

hope lies in that direction, either. Because education in economics—as opposed to trade studies in business or marketing or the applied mathematics taught in economics departments—is nearly nonexistent, citizens have no theoretical capacity to focus their accurate but inchoate perception that something is wrong. So, we reform away, appointing task forces and study groups. All the while, when it seems we "fall out only with the

Abuse," it turns out that "The Thing! the Thing itself is the abuse!"

As for the book: I am sure you did well on my pop quiz at the outset of this review. Now that we have a book by professors of government about "Why People Don't Trust Government," the book on "Why People Don't Like Intestinal Disorders" may be out soon. I am confident about my main prediction, though: no one is going to do the calendar of conservatives in bike shorts. ■

## A Report Card on Governmental Health and Safety Programs

Reviewed by John D. Leeth

### RATIONAL RISK POLICY: The 1996 Arne Ryde Memorial Lectures

by W. Kip Viscusi

(New York: Oxford University Press, 1998)

138 pages

**R**ISK AND ENVIRONMENTAL REGULATIONS now cost the United States economy more than \$150 billion annually, about 2.6 percent of GDP or almost \$1,600 per household per year. At a minimum, risk and environmental regulations should save lives and reduce injuries and illnesses. More stringently, the combination of regulations chosen by government policymakers should produce the greatest improvement in safety and health for a given level of resources. Professor Viscusi presents in his book a persuasive argument that current U.S. risk and environmental policy fails the most stringent test of rationality and some specific programs may fail even the minimal condition of acceptability.

### HOW INDIVIDUALS VIEW RISK

WHY HAS RISK AND ENVIRONMENTAL policy strayed so far from the ideal? According to Professor Viscusi, indi-

John D. Leeth is professor of economics at Bentley College.

viduals are prone to certain biases in processing information about risks. We underestimate large risks, overestimate small risks, and view small increases in risk as unacceptable. We value reducing risk more if the reduction completely eliminates a hazard than if it merely reduces a hazard. In seeming contradiction, we will pay a large premium to purchase a completely safe product but will fail to take suitable safety precautions when engaged in risky activities. We underestimate the effectiveness of our own actions in reducing risk. When facing divergent opinions of possible dangers, we place greater weight on the worst-case scenario and focus on risk only when the consequences are visible, dramatic, and well publicized.

In summary, the way we process information about risks causes us to overreact to small risks and underreact to large risks, both in our personal actions and in our demands on government. New and vaguely understood hazards bring forth more calls for regulation than accustomed dangers we face daily.

### GOVERNMENT AND RISK

**Blind Spots** For the government to develop a rational risk policy it must overcome the inadequacies to which

individuals are prone. Unfortunately, as Professor Viscusi documents, policymakers are prone to the same inadequacies. Just as individuals react more strongly to novel risks than ordinary risks, the Food and Drug Administration regulates new, synthetic chemicals more frequently than natural chemicals. Just as individuals pay a huge premium for the complete elimination of risk, the Environmental Protection Agency (EPA) frequently requires total cleanup of environmental hazards despite the enormous costs of reducing hazards from slight to zero.

In one well-known case, EPA demanded dirt containing trace levels of PCBs and "volatile organic compounds" be removed from a toxic waste dump and burned. The site was already clean enough for children to play for up to 70 days a year without significant harm, even if they had consumed small amounts of the soil while playing. At a cost of over \$9 million, the additional cleanup would have made the site safe enough for children to continue to eat dirt for an additional 175 days a year. The absence of any children playing at the toxic waste dump, which was located in a swamp, did not deter EPA from pursuing the goal of "complete" safety.

Political pressure further confounds the ideal of creating a rational risk policy. Individuals react to highly publicized but relatively rare dangers and call for public action. Not surprisingly, politicians desiring to be elected jump on the bandwagon and demand pursuit of policies at almost any cost to eliminate the hazard. Consequently, we spend huge sums to save only a few lives in some areas and ignore reasonable measures to improve safety in other areas.

**Perverse Effects** Under a rational risk policy, the cost of saving a life or avoiding an illness or injury will be the same across programs. When it is not, regulatory policies may actually reduce safety by diverting resources from the most effective lifesaving activities. For

example, the National Highway Traffic Safety Administration, which regulates perhaps the best known hazards the public faces, will not approve regulatory changes unless the cost per life saved is less than \$3 million, but EPA and the Occupational Safety and Health Administration (OSHA) have promulgated rules with price tags exceeding \$89 million per life saved. By reallocating resources from controlling rare workplace and environmental hazards and toward more common traffic hazards, we could save nearly 30 times more lives for the same cost.

Safety and health regulations directly control some risks but cause

---

**If only a few of Viscusi's suggestions for redesigning U.S. safety and health programs were followed, significantly fewer people would be hurt and killed.**

---

individuals to reduce their own safety efforts, partially counteracting the direct effect of the regulations. When safety caps were introduced, parents took fewer precautions to place medicine away from children. Drivers drove faster and took more chances following the installation of seat belts.

Safety is further reduced because regulations both stimulate economic activity, which increases the number of people injured at work, and reduce real income, which reduces expenditures on personal safety and health. Based on Professor Viscusi's research, current EPA regulations on asbestos, land disposal, and active uranium mill tailings and current OSHA regulations on asbestos and formaldehyde cost substantially more than \$35 million per life saved and may, therefore, actually reduce safety, on balance—a truly irrational risk policy. Most of the Superfund hazardous waste cleanup effort may also have reduced safety, on balance. The first 5 percent of expenditures on the Superfund reduced cancer risk at an average cost

of \$389,000 per case averted; the remaining 95 percent of expenditures reduced cancer risk at an additional cost per case averted ranging from \$231 million to \$227 billion. Thus, the last 95 percent of cleanup efforts probably resulted in more deaths from unintended side effects than lives saved from eliminating exceedingly small cancer risks.

**Some Bright Spots** U.S. risk policy is not cost-effective and may in some instances be counterproductive, but there are some bright spots.

Although people may not process risk information perfectly, Professor Viscusi presents persuasive evidence that hazard warnings do cause workers and consumers to take greater safety precautions. Current efforts to discover potential risks and warn the public of possible health and safety hazards are crucial elements of a rational risk policy.

It is also necessary to evaluate properly the costs and benefits of proposed programs. On the upside, most governmental agencies now correctly value the benefits of safety-improving activities by using value-of-life and value-of-injury estimates drawn from wage and price changes that reflect workers' and consumers' willingness to pay for small reductions in the probability of death or injury. On the downside, the method EPA uses to estimate environmental hazards seriously overstates the probability of harm and, consequently, the potential benefits of environmental cleanup efforts.

#### **AN INVALUABLE BOOK**

ANYONE INTERESTED IN GOVERNMENTAL efforts to improve safety and health should read *Rational Risk Policy*. For those unfamiliar with Professor Viscusi's work, the book provides an invaluable introduction to a body of research unsurpassed in depth, creativity, and insight. For others, the book neatly summarizes thousands of pages of research scattered over dozens of journals and books.

Typical of an economist, Professor Viscusi presents many of his theoretical arguments mathematically, which may daunt some readers. But even the less mathematically inclined should find the book accessible. Professor Viscusi does an excellent job of explaining the intuition behind the equations and, more importantly, presenting an impressive array of empirical evidence to support his theoretical conclusions.

In a relatively short book, Professor Viscusi describes and evaluates a

broad array of institutions whose actions affect the risk of death and injury. If only a few of his suggestions for redesigning U.S. safety and health programs were followed, significantly fewer people would be hurt and killed by avoidable accidents and diseases. The alternative is to continue an irrational risk policy, which in a very real sense kills real people by diverting resources from actions that could save many lives to actions that save relatively few lives. ■

when the current (unexpectedly long) expansion ends.

## EXPLAINING THE GROWING INEQUALITY IN WAGES

MOST OF THE RESEARCH INTO THE increase in wage inequality has focused on *why* it occurred. The most widely accepted explanation is that, starting in the 1970s, the relative demand for high-skill workers increased sharply because of skill-biased technological change. That change was caused to a large extent by the growing use of computers throughout the economy. Wage inequality did not begin to grow until the 1980s because in the 1970s there was a huge increase in the proportion of workers who had completed college.

Other explanations of growing inequality focus on the effects of increased international trade, the decline in union representation of blue collar workers, the virtual disappearance of "social norms" requiring relative compensation within firms to be "fair," and changes in the distribution of the quality of innate skills in the labor force. These various explanations are not mutually exclusive, and several economists have tried to explain the trend in wage distribution by assigning weights to each of them. Again, most researchers give the most weight to skill-biased technological change, but...

Another way to understand increasing inequality in the United States is to examine the experience of other industrialized countries during the same period. Other rich countries, after all, were subject to the same influences that increased the demand for high-skilled workers relative to low-skilled workers in the United States, in particular, technological change and increased international trade.

The most common—although not unanimous—conclusion from research is that the pressures that led to growing wage inequality in the United States produced much different results in the less flexible labor markets of France, Germany, and many other European countries. In those countries, where relative compensation levels are much more subject to government and institutional regulation than in the United

# The Wages of the "Cowboy Economy": More Jobs and Greater Pay Inequality

Reviewed by George E. Johnson

## GENERATING JOBS: How to Increase the Demand for Less-Skilled Workers

by Richard B. Freeman and Peter Gottschalk (editors)

(New York: Russell Sage Foundation, 1998) 336 pages

**A**LMOST EVERYONE NOW AGREES that that wage inequality in the United States increased sharply in the 1980s. Generally, people whose skills (college-plus education and high levels of innate ability and motivation) placed them in the top of the wage distribution incurred small real wage increases. But real wages decreased markedly for people closer to the bottom of the distribution (those who completed 12 years or less of schooling, were young, and had lower levels of ability and motivation).

Part of the explanation for the growing disparity in wages can be found in the history of the average inflation-adjusted (real) wage since 1973. Whereas the average real wage in the United States had grown at an annual rate of about 1.5 percent from

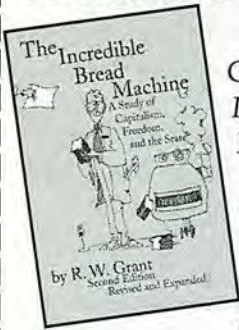
1900 to 1973, it has been almost stagnant since 1973. Thus, with growing wage inequality, real wages at the lower end of the distribution had to decline if real wages at the upper end of the distribution rose at all.

Specifically, from 1979 to 1989, wage rates at the 90th percentile of the wage distribution increased by 25 percent relative to wage rates at the 10th percentile of the distribution. To take an extreme example, in 1988 the average employed 23-year old white male who had not completed high school earned 32 percent less per hour in real terms than someone with identical characteristics would have earned in 1979.

The trend toward increasing inequality has continued in the 1990s, but at a somewhat slower rate than in the 1980s—mainly because of the unusually low level of unemployment in the economy since 1995. The disparity in wages by skill level usually has narrowed during cyclical expansions and widened during recessions. It is extremely unlikely, however, that the overall unemployment rate will stay the neighborhood of 4.5 percent indefinitely. Thus, the upward trend in inequality probably will resume

George E. Johnson is professor of economics at the University of Michigan.

## Underground super-seller on economic liberty



Richard Grant's *The Incredible Bread Machine* became legendary in libertarian circles three decades ago,

an underground classic about how laws backfire and how free people achieve extraordinary things. Now Grant has updated & expanded his work in some wonderful ways.

Reason's Robert Poole says, "This is one of the all-time classics of liberty. How wonderful to see it back in print. The new, revised edition is even better than the original."

### THE INCREDIBLE BREAD MACHINE (2nd Edition)

by R.W. Grant

LI7939 (paperback) 297p. \$14.95\* (postpaid)

LI7938 (autographed hardcover) \$24.95\* (postpaid)

\*California residents, please add sales tax

ORDER TOLL-FREE:

**1-800-326-0996**

Dept. IBMS

OR ORDER ON-LINE:

**orders@laissezfaire.org**



**LAISSEZ FAIRE BOOKS**

938 Howard St., #202  
San Francisco, CA 94103

World's largest selection  
of books on liberty

► Visit our website—  
<http://laissezfaire.org>

States, the shift toward high-skilled workers caused large increases in unemployment rates. Canada and the United Kingdom, whose regulatory and institutional structures lie between those of continental Europe and the "cowboy economy" (the United States), experienced lower unemployment than continental Europe and less wage inequality than the United States.

### POLICY OPTIONS: THE "USUAL SUSPECTS"

IF WE WANTED TO DO SOMETHING about increasing wage inequality, what *could* we do about it? What are the public-policy options, how effective would they be, and what side effects would they have? This is the subject of the collection of essays edited by Richard Freeman and Peter Gottschalk.

As one economist of several who have studied the causes of increasing inequality, I had speculated about public policies that might mitigate the problem. The obvious demand-side policies—enacting regulations to reduce the use of computer technology and changing trade policy so as to restrict imports into the United States—are, as pointed out in the introductory chapter of *Generating Jobs*, neither economically nor politically feasible.

Supply-side policies—primarily inducing a larger fraction of future labor-force entry cohorts to attend college—have, in theory, some potential for reducing inequality. However, the process would take a long time, by definition, and, given the decentralized nature of educational decision-making in the United States, it is by no means certain that such a policy could be implemented effectively.

Other policies that have been discussed would, through changes in laws and regulations, cause union membership to increase rapidly rather than continue to decline. (It has dropped from 35 percent of the labor force in the mid-1950s to about 12 percent today). Apart from the political impracticality of such a pro-

posal (it is very hard to envision strongly pro-union legislation sailing through a Republican Congress), it would merely substitute European-style unemployment for U.S.-style earnings inequality.

Thus, my feeling before reading this book was that the only *sensible* policy option open to government is to promote college enrolment by providing information and subsidized loans—a policy that would take a fairly long time to have much of an effect.

### NEW IDEAS IN GENERATING JOBS

THE POLICY OPTIONS DISCUSSED IN *Generating Jobs* are very different from the "usual suspects." It seems as if Freeman and Gottschalk sat down and made a list of all *conceivable* policy options and chose to focus on several with promise. Those policies are grouped into three types: (1) wage subsidies and public employment, (2) changes in modes of pay, and (3) employment regulations.

**Wage Subsidies and Public Employment** Two of the three papers in the first group—one by Lawrence Katz on wage subsidies for low-skilled workers in the private sector and the other by Gottschalk on public employment programs—deal with policies that were introduced in the United States in the 1970s to combat structural unemployment. Both authors are mildly optimistic about the potential of those approaches to reduce earnings inequality.

However, the experience of the 1970s and 1980s suggests that, in practice, the ultimate beneficiaries of such programs usually are not its *intended* beneficiaries. With the help of reasonably clever CPAs, firms can take subsidies intended to encourage them to employ more low-skilled workers without actually doing so. Similarly, it is easy for state and local governments to accept federal grants to hire more low-skilled labor and simply hire the workers they would have hired in the absence of the grants. The federal expenditure is not "wasted" in the sense that the

resources are lost; instead, the grants substitute federal expenditure for state and local taxes.

The third paper in this section, by Edward Gramlich and Colleen Heflin, looks at programs with a geographic focus, such as enterprise zones. Based on evidence from evaluations of various experimental programs, they are quite pessimistic about the potential of geographically focused programs to increase the relative demand for low-skilled labor.

**Changes in Modes of Pay** The papers in this part of the book look at potential changes in the forms of labor compensation. The first of the papers, by Douglas Kruse, discusses the possible effects of an expansion of profit-sharing systems. That was a hot topic in the 1980s, owing largely to some interesting work on the “share economy” by Martin Weitzman, which focused on the likely effect of profit sharing on employment instability. One of Kruse’s key findings is that compensation based on profit sharing is more prevalent among high-skilled than low-skilled workers. The wider use of profit-sharing (brought about by tax incentives or federal government mandates) probably would have a slightly negative effect on the relative demand for low-skilled workers and thus increase wage inequality.

The second paper in this section, by Susan Houseman, assesses whether expanding various federal government mandates on employers (i.e., unemployment insurance, maternity and parental leave, advance notice and other employment protection laws, and minimum wages) would reduce inequality. The answer to that question depends importantly on the degree to which increases in employers’ total labor costs resulting from expanded mandates would offset the intended effect of the mandates: increased employment of low-skilled workers. Houseman’s review of past studies of the question suggests that the disemployment effects

are fairly small, but she acknowledges that we do not understand the effects very well.

**Employment Regulations** Richard Freeman has contributed a comprehensive review about studies of the policy of mandating fewer hours of work per employed worker in the hope of increasing total employment. (The introduction of the time-and-a-half premium for overtime work under the Fair Labor Standards Act of 1938 was an effort to increase total employment.) Such mandates currently are an extremely important issue in France and Germany. The new socialist governments there have called for a general reduction in the standard workweek so as to increase employment and reduce unemployment below double-digit levels. As interest-

---

**Wage inequality will increase in the near future, and there will be a public demand to “do something about it.”**

---

ing and important as Freeman’s paper is, however, it gives little attention to the relevance of work-sharing to the United States, where the problem is wage-rate inequality rather than the rate of unemployment. Similarly, the paper by Harry Holzer on government anti-discrimination policy—an interesting, important, and controversial subject—does not focus on the potential effects of policies such as affirmative action on earnings inequality.

A very interesting paper by Rebecca Blank looks at the problem of assessing the role of the growth of contingent work arrangements (e.g., part-time and temporary jobs) and policies that might reduce the use of those arrangements. Blank concludes that, contrary to many popular views, it is not clear that the greater use of such arrangements has affected wage equality significantly. Further, it is probably inadvisable to enact policies to restrict the

use of contingent work arrangements. There is, however, much that we do not know about those arrangements (which are very likely to increase in importance), and Blank offers a full agenda of research that is needed to fill in the many holes.

**A Final Entry** The book’s final paper, by Stephen Nickell of Oxford University, differs greatly from the other papers in the volume in that it focuses on a comparison of the experience of two countries, the United States and Germany, rather than on a specific programmatic approach to the reduction of wage inequality. Although that inequality grew sharply in the United States during the 1980s, it fell slightly in Germany during the same period. Moreover, workers in the top quarter of the earnings distribution (e.g., physicians and managers) tend to have slightly higher earnings in the United States than in Germany, but workers in the bottom quarter of the distribution earn about twice as much in Germany as in the United States.

Departing from the conventional wisdom, Nickell attributes those differences in earnings not to differences in union organization and government regulation but to differences between the two countries’ educational systems. He shows that for students in the lower half of the ability distribution, Germany’s education and training is far superior to that of the United States (and the United Kingdom). German students who leave school at the minimum age are much better prepared than similar students in the United States and U.K. to enter the job market and subsequently to adapt to new technologies.

Nickell acknowledges the obvious point that reforming a country’s primary-level education would take a long time and that the effect on earnings inequality might not be seen for at least 30 years. (In addition, because most decisions about spending on education are made locally in the United States, it might be impossible to enact such



reforms—especially because they would not be in the interests of upper-middle class children for whom the present system works reasonably well.)

## CONCLUSION

GENERATING JOBS WAS WRITTEN TO evaluate the potential of several policies that might reduce or retard the growth of earnings inequality in the United States. All of the essays are stimulating and well written, and I found

that many of the ideas in the volume challenged my previous view that there are in fact few policy options.

I believe that wage inequality will increase in the near future. The increase likely will be met with a public demand to “do something about it.” Many policy responses will be advocated; some would be merely ineffective but others would have harmful secondary effects. It is good to think about the options now, before they occupy center stage. ■

## FOREMAN'S ANALYSIS

**Assessment of the Concerns** Foreman begins by reviewing the academic research on exposure, causation, and protection under the law. He finds many faults in the execution of the research; for example, causation is not well established for pollution patterns, the measures used as proxies for pollution risk are very rough, and authors often use case study descriptions to make broad claims about the nature of health risks from pollution. Foreman concludes that “taken as a whole this research offers, at best, only tenuous support for the hypothesis of racial inequity in siting or exposure, and no insight into the crucial issues of risk and health impact” (p. 27).

Foreman indicates that, given the state of research on risk and environment, it is unlikely that EPA or Congress soon will have solid scientific evidence on the issues raised by environmental justice advocates. He notes that even if there were such data the debate about environmental justice would persist because the quest for federal action to address perceived environmental inequities rests on three broad themes: involvement, health, and opportunity. He analyzes each of the themes in a separate chapter.

**Involvement** Although debates about environmental policy are framed in terms of risk, the main goal of many advocates is increasing the ability of people in local communities to influence the political and economic decisions that affect their lives. Foreman indicates that once people give voice to their environmental concerns, the list of concerns becomes long: “wellness, fairness, community empowerment, solidarity, diversity, impatience with technical expertise, prosperity, quality of life” (p. 36).

Foreman views the process of participation as unwieldy. He notes that when government officials invite citizens to participate in discussions of environmental problems, the officials rarely examine necessary tradeoffs in using scarce resources to address some problems and not others. Foreman also notes that it is unclear just what effect partici-

# Is It Justice or Redistribution?

Reviewed by James T. Hamilton

## THE PROMISE AND PERIL OF ENVIRONMENTAL JUSTICE

by Christopher H. Foreman Jr.

(Washington, D.C.: Brookings Institution Press, 1998) 191 pages

**F**EW PEOPLE FACE INCENTIVES TO be detached and dispassionate when describing the links between race and pollution. Environmental racism is a phrase ready-made for reporters; it allows them to transform pollution into a story of good versus evil, with easily recognized villains. Organizers can use the distribution of risks across demographic groups as a rallying point to mobilize communities to fight the location of NIMBY (“Not-in-my-backyard”) facilities, such as toxic waste dumps. Companies often face a reverse set of incentives, to deny that pollutants may reach different demographic groups in different amounts. For firms to admit such differences and enter into a debate about causation would raise the specter of protests and lawsuits—especially for firms with established brand names and reputations to protect.

Christopher Foreman enters this alternately inflammatory and obfuscatory policy debate with *The Promise and Peril of Environmental Justice*, a balanced

and cautiously skeptical assessment. Foreman does not try to define and measure an ideal state of environmental justice. He rather asks about the likely prospects for current federal policy initiatives generated by the environmental justice movement. His review of the evidence and analysis of political activity leads to recommendations that are unlikely to be popular with environmental justice adherents—more analysis, more explicit tradeoffs in establishing environmental priorities, and better balancing of costs and benefits. He asserts that if one truly cares about the state of the environment across different demographic communities, then a reformed policy agenda offers more hope of improved environmental outcomes.

The environmental justice movement focuses on the many ways that the distribution of pollution may vary by race or income. The operation of current facilities may cause particular demographic groups to face different pollution risks. The location of future facilities may generate variable exposures if neighborhoods are targeted on the basis of demographic characteristics linked to race or income. Pollution control laws and regulatory cleanups may also vary by neighborhood. Environmental justice therefore encompasses concerns about exposure, causation, and protection under the law.

James T. Hamilton is associate professor of public policy at Duke University.

pation is supposed to have on policy decisions. The most tangible product of the environmental justice debate at the federal level is President Clinton's Executive Order 12898, which in part requires all federal agencies to encourage public participation in the discussion of environmental issues. Yet, he notes, "it remains unclear precisely what the White House and the many federal agencies affected by the executive order are committed to in the long run, beyond a general yearning to listen hard and do good" (p. 63).

**Health** The second major theme of the environmental justice movement is the improvement of public health. Activists often oppose the construction and operation of facilities in their communities out of concern for the effects of such facilities on human health (e.g., potential cancer risks). Foreman faults activists' arguments about public health, on three grounds. He notes first that if activists were guided by scientific evidence about the threats to health, environmental pollution would not be their most pressing concern; rather, they would focus on the risks related to diet, smoking, and alcohol use.

But it is hard to mobilize residents to change their own behavior, and it is easy to generate outrage against outside threats. As Foreman asserts, "Hazards perceived to be imposed on residents by firms—especially by ones viewed as community intruders—or by governmental actors suspected of being distant, unaccountable, or racist are more suitable for this purpose" (p. 66).

In any event, given their focus on participation, activists do not spell out a coherent strategy for improving public health in low-income or minority communities.

**Economic Opportunity** In a sense, wealth is health: people with higher incomes can afford to live in neighborhoods with better environments and to purchase better health care. The third major theme of the environmental justice

movement is economic opportunity, the notion that the lives of those in polluted communities ultimately will be improved if their economic situation is improved. Foreman identifies several ways that environmental policy could be used to improve the economic lot of minority residents:

- Promoting greater diversity in government hiring for environmental programs
- Hiring local residents to help conduct environmental remediation
- Employing local residents in the facilities and factories that will arise once sites are cleaned up
- Subsidizing the training of residents to participate in the remediations and subsequent industrial growth.

---

Speaking truth to power can be costly, so  
can speaking truths about the powerless.

---

The most visible environment-and-economy program thus far is EPA's "brownfields" program. Contamination often serves as a barrier to development because businesses may be wary of the potential liabilities in parcels of land containing even small amounts of hazardous materials. To encourage businesses to locate in polluted communities, EPA began a grants program to remove obstacles to commercial development of less-contaminated areas. By mid-1998, EPA had provided funding to 157 states, cities, towns, counties, and tribes as part of the brownfields initiative. The funds were meant to "test redevelopment models, direct special efforts toward removing regulatory barriers without sacrificing protectiveness and facilitate coordinated public and private efforts at [all] levels [of government]" (p. 96).

Foreman notes that it is too soon to assess the success of the brownfields

initiative and other programs aimed at increasing economic opportunities through environmental policy. He warns, however, that programs intended to help employ the urban poor may fail to do so because many of the urban poor lack the education or experience required to take advantage of new jobs that may result from environmental initiatives in low-income areas.

## ALTERNATIVE POLICY PRESCRIPTIONS

WHAT IS TO BE DONE? FOREMAN POINTS out that there are specific policy reforms that might help the low-income and minority populations that are the focus of the environmental justice movement. He predicts that those reforms will not be popular among advocates because they lack the mobilizing potential of efforts targeted at such specific adversaries as polluting companies.

Foreman indicates a number of health-based policies the government should focus on, such as "asthma management, farm worker chemical exposure, practical lead exposure control measures, and the further reduction of tobacco use

(especially where that use is conspicuously greater than average)" (p. 131). He points out that because many of the concerns about livable communities are related to housing and employment, government should focus on efforts to eliminate discrimination against minorities in housing and labor markets. Foreman also calls for more stringent analysis of the costs and benefits of environmental issues, which should benefit low-income and minority populations to the degree that they face greater risks than other segments of the population.

As Foreman acknowledges, clarion calls for reason and balance are less satisfying than identifying opponents and mobilizing communities. But he warns:

The pursuit of justice requires the making of distinctions, not just the pursuit of rights and the flexing of advocacy muscle. Everyone must learn that while government has a vitally

important role to play, we cannot simply legislate, regulate, litigate, or protest our way toward healthy and livable communities. (p. 136)

## LIKELY REACTIONS TO FOREMAN'S BOOK

FOREMAN'S COMPREHENSIVE CRITIQUE of the environmental justice movement will be controversial. Just as speaking truth to power can be costly, so can speaking truths about the powerless.

How a reader reacts to Foreman's arguments will depend, I believe, on one's views about politics, information, and redistribution. Part of Foreman's argument rests on notions of political economy. Modern regulatory analysis often features stories of reelection-maximizing representatives, who sacrifice social welfare in exchange for longer political lives. Foreman adds to that lore the political economy of environmental advocates, who focus on

racism, corporate power, and community empowerment because those ideas help to mobilize their supporters. But even if one accepts that view of environmental activists, the question remains whether society is better off with rhetoric-based policies that are inefficient but implemented or efficiency-based policies that are sound but unimplemented. Answering that question is akin to deciding which is worse: overregulation or underregulation.

Reactions to Foreman's work will depend, secondly, on attitudes toward information. Foreman clearly points out that there is uncertainty about many environmental harms. To people who take knowledge as static, such uncertainty may mean that no action is warranted because there is no evidence that environmental pollution generates disparate harms for low-income or minority communities. A key theme of current regulatory analysis, however, is that information itself is a good whose production should depend on relative benefits and costs. If there are great uncertainties about the toxicity of chemicals or exposure patterns among communities, then there may be a role for government in funding research to reduce those uncertainties.

Finally, reactions to Foreman's critique will depend on the value one places on redistribution. Nearly 25 years ago Arthur Okun wrote in an earlier Brookings book that redistribution inevitably involves costs. He popularized the notion of a "leaky bucket," the idea that in transferring resources from one group to another something was often spilled and lost in the process. Okun captured that idea in the title of his book, *Equality and Efficiency: The Big Tradeoff*.

In *The Promise and Peril of Environmental Justice*, Foreman argues that the environmental justice movement is often a source of leaky arguments and leaky redistributive policies. Foreman's book shows how to reduce these leaks. The question for legislators and regulators is whether the debate over reforms will result in the bucket's being repaired, or simply dropped. ■

# Critical Review

An interdisciplinary journal focusing on the effects of market and state on human well-being.

"a breath of fresh air"

Chris M. Sciabarra  
in recent issues (back issues available):

## F. A. HAYEK

Hayek's Critique of Modern Economics  
Peter J. Boettke

Hayek's Economics and His Politics  
Jeffrey Friedman

David Johnston, Steven Lukes on Hayek's critique of social justice

Democracy and the Rule of Law  
Juliet Williams

Hayek's Conservative Liberalism  
Ryszard Legutko

The Non-Neutrality of the Market  
Gus diZerega

## LIBERTARIANISM ANALYZED

What's Wrong with Libertarianism and How to Fix It / Jeffrey Friedman

Aristotelian Libertarianism / Richard Kraut

Ayn Rand as Hegelian / David MacGregor

Richard Epstein on Simplicity  
Frederick Schauer

The Libertarian Philosophical Diaspora  
Justin Weinberg

Freedom, Liberty, and Property  
Jonathan Wolff

## LIBERTARIANISM DEBATED

Richard Epstein, Jeffrey Friedman, Lowell Galloway and Richard Vedder, R. Bradford De Long, Tom G. Palmer, Chris Sciabarra, Justin Weinberg

"An exciting corner in the great marketplace of competing ideas. Most readers will usually find that *Critical Review* contains much to disagree with, but little that is boring, unimportant, or anything other than stimulating or provocative." — **Israel M. Kirzner**

"A breath of fresh air for libertarian scholarship.... A much needed outlet for truly critical expression within the libertarian academy." — **Chris M. Sciabarra**

"exciting"  
Israel Kirzner

"Already a major force, it is well written and well edited; its scholarship is sound, and free from the embarrassing lack of sophistication that has plagued so much classical-liberal scholarship and opinion.... I have never shown it to a colleague, left, right, or center, who wasn't impressed by it." — **Stephen Cox**

"The most fascinating interdisciplinary journal in existence, it is especially important for classical liberal scholars, since it encourages a realistic and empirically grounded, yet philosophically rigorous appraisal of different social systems." — **Peter J. Boettke**

Back issues \$10. 1-year (4-issue) subscriptions: \$29 U.S., \$35 foreign, \$15 students with copy of ID, \$54 institutions; add \$15 for air mail. Send check, money order, or Visa/MC number and expiration date to:

**Critical Review**, P.O. Box 10, Dept. 309, Newtown, CT USA 06470-0010, or fax credit card information to (203) 270-8105, or e-mail [info@criticalreview.com](mailto:info@criticalreview.com). (ISSN 0891-3811)

manuscript submission guide and back issue list available upon request

# Common Sense in an Age of Nonsense

Reviewed by Michael Gough

## THE CORPORATION UNDER SIEGE: Exploring the Devices Used by Activists and Regulators in the Non-Risk Society

by Mark Neal and Christie Davies

(London: The Social Affairs Unit, 1998)

123 pages

**R**EADERS WHO ARE KNOWLEDGEABLE about the tactics used by activists and regulators to pump up health and safety risks will find themselves in familiar territory in Neal and Davies's book. But they will not be bored. Neal and Davies's descriptions of European—especially British—excursions into risk assessment, risk management, and risk regulation are enlightening, engaging, and often amusing. The book will be especially valuable to the reader who is new to risk-based assaults on the corporation and who wants to understand the tactics used by individuals and organizations to inflate risks and hold producers—notably the corporation—responsible for the troubles that afflict humankind.

### ADVICE ABOUT FIGHTING BACK

NEAL AND DAVIES END THEIR SHORT, readable book with four suggestions about how companies can fight back against activists and regulators (pp. 109-111):

- Stay informed about activists' and regulators' agendas and programs; do not wait for an attack, strike first; discredit the opposition; focus on "crisis prevention" rather than crisis management.
- Mobilize those who depend on you for their prosperity—workers, suppliers and distributors, shareholders, and the local press—to speak and act on your behalf.

Michael Gough is an adjunct scholar at the Cato Institute.

- Agree to compensate competing companies if they bear the brunt of activists' and regulators' attacks.

- Fight ideological battles to convince the public that a free society is preferable to a risk-free society; develop your own long-term and social research and be skeptical of most such research, it is often wrapped in anti-producer ideology.

The book provides plenty of information about activists and regulators and plenty of ammunition for the ideological battle. It identifies three groups that are expanding without regulatory bounds in an increasingly regulated world—activists (especially health, safety and environmental zealots), regulators, and speculative litigants. Each of the three groups furthers its own growth through attacks on products—especially products made with new techniques—and all are the enemies of corporations and free markets.

### THE STATE OF THE UNITED STATES

FEW READERS OF *REGULATION* WILL be happy to find that Neal and Davies lump the United States with Germany and Canada as home to "the most absurd cases of pointless and destructive bureaucratic over-regulation" (p.94). Despite their listing of some similar excesses in Britain, Neal and Davies are convinced that the traditional "collegial and collaborative nature of British institutions" has provided for a successful approach to pollution control and spared their country from the worst of bureaucratic excesses. That is about to change, however. The bureaucrats of the European Union are spewing out pan-Europe regulations that leave no room for flexibility or reason.

But all is not bad with the United States. Most U.S. readers will be happy

to learn that their country's more tolerant response to biotechnology has resulted in fewer regulations and in the United States being far ahead in the commercial development of those techniques. Neal and Davies also applaud the Freedom of Information Act, which allows United States citizens and corporations access to government documents. British bureaucrats, on the other hand, happily deny such access when it suits them.

### THE BIAS AGAINST TECHNOLOGY

WHAT MAKES THE MODERN WESTERN world so gullible when presented with claims that manufactured products are causing disease and death? We live in a society far less risky than any in the past, and we no longer face epidemics that can carry off a tenth or a quarter of the population. We live with the near certainty of dying in old age, most likely carried off by a disease prosaic in its commonness—heart disease, cancer, or stroke.

Agitators can single out any exception to the expectation of a long, healthy life, magnifying the risks of the unexpected disease and inventing causes for it from the barest of evidence. Why, though, do so many people accept the risks as real and permit governments to throttle companies and eliminate products on the flimsiest evidence? The answer, according to Neal and Davies, is the same as the explanation for success in most fields: technique.

Neal and Davies list a typology of devices by which activists and regulators identify, inflate, and campaign against risks. The devices, once employed against a particular product, can be dusted off, spruced up, altered a little if necessary, and used against others. That typology, with its associated examples, will be useful to the corporation facing an attack on its products.

But, no matter how well prepared, the corporation fights an uphill battle in a society that is primed to believe activists and regulators. The authors tick off several factors that contribute to the corporation's problems: Modern society does not learn from its past mis-

takes in risk management and regulation. It does not reassess scares, to see if they were justified or if the action taken against them was appropriate. It accepts the goal of absolute product safety, which cannot be achieved. It ignores or discounts the risks and costs—including costs in pain, suffering, and death—of regulations that eliminate products from the market. At the same time, it glibly accepts the postulated “benefits” of regulating the product.

## “LUDDITES” AT WORK

IN SHORT, PITHY SECTIONS, the chapter of the book devoted to “Bureaucrats, Greens, and Greenocrats” describes what makes activists and regulators tick and how they grow and expand in uncontrolled fashion. In contrast, Neal and Davies describe the opponents of activists and regulators:

The productive capitalists, small businessmen, and self-employed people who are the victims of the mania for expansive regulation are likely to be far more democratic and far more truthful than either the bureaucrats or the greens. Many of them lack the size, the power, the resources, the political influence, or the lawlessness to fight or defy their regulators. There is nothing stronger than the power of the state. (p.57)

Neal and Davies also describe how science is slanted against corporations by repeated demands for safety testing. Activists and regulators often base their claims or regulations on “one off” experiments or findings that are unlikely to be retested, and certainly not by them:

Whistle-blowers do have something to gain from their whistling and it can lead them into scientific fraud...Also, the fraud, if undetected, is irreversible, for, in safety testing, ordinary scientific replication may not be required before a result is taken seriously and used as the basis for

implementing a ban. If biased scientists in the pharmaceutical industry were to fudge their results to cover up dangerous findings, it would do them little good because some other group of scientists would repeat their tests and discover that the drug was dangerous. (p.77)

The book is enlivened by short, specific discourses about particularly loony

---

**This book identifies three groups that are expanding without regulatory bounds in an increasingly regulated world—activists, regulators, and speculative litigants.**

---

exercises designed to pin society’s problems on corporations. Crime is such a problem, and there is a constant attempt to explain it without blaming the people who commit it. The British Home Office brought in experts, convinced that food additives—what product of corporations is worse?—cause crime, who urged replacing prison diets with “raw vegetables, rice-cakes, and herb tea” (p.75). At the same meeting, one of the book’s authors reminded the Home Office officials that Alcatraz had prevented escape attempts by fattening up prisoners. His remark was dismissed as being in bad taste. At lunchtime, the experts, true to their beliefs, opened their bottles of vitamins and minerals.

## THE PRICE OF RISK-OBSESSION

THE AUTHORS USE THE RICE-CAKES and herb tea suggestion to illuminate the detrimental effects that fascination with risks (e.g., food additives) can have on society. The criminal can say that he is not responsible for his actions; food additives are. It has worked. The “Twinkie defense” was good enough to earn the murderer a lesser charge and punishment. And why should anyone be held responsible for his own health? After all, there are chemical risks out there.

Neal and Davies compare the number of press reports of cancer risks from manufactured chemicals to the number of reports of cancer risks from natural sources and point out, as many others have, that the press emphasizes the risks from manufactured chemicals out of all proportion to their importance. But they add a characteristically humorous comment. They acknowledge that journalists do emphasize the cancer risks from one natural product—tobacco—

probably because of its big business image which overrides the fact that it is an ancient plant originally cultivated by eco-friendly, wisdom-filled Red Indians, whose hoarse coughing voices reveal the secrets of the universe

to spiritualist mediums. (p.67)

## CLOSING NOTES

I FOUND THAT THE BOOK’S ORGANIZATION left something to be desired. A discussion of the “precautionary principle”—used by activists and regulators to justify attacks on anything that cannot be guaranteed absolutely safe—is buried under a heading about society’s failure to reassess risks. The authors like acronyms, and I had to scurry back and forth looking up the titles of British and European organizations that are unfamiliar to me. But those are small quibbles.

The book is published by the Social Affairs Unit in London, about which *The Times* (of London) said,

The Social Affairs Unit is famous for driving its coach and horses through the liberal consensus, scattering intellectual picket lines as it goes. It is equally famous for raising questions which strike most people most of the time as too dangerous or too difficult to think about.

In *The Corporation Under Siege*, Neal and Davies are driving a coach and horses through the liberal consensus—with panache. ■

# Regulation

THE  
CATO REVIEW  
of  
BUSINESS  
and  
GOVERNMENT

REGULATION is quite simply the preeminent journal dealing with regulatory policy issues, ranging from environmental law, banking, and trade to antitrust, labor, and telecommunications. Recent contributors include W. Kip Viscusi, Robert E. McCormick, Robert Tollison, Richard E. Wagner, Robert W. Crandall, Richard Lindzen, Murray Weidenbaum, Alfred Kahn, Vernon Smith, Joseph Kalt, Thomas Hazlett, and Thomas Gale Moore.

“We need REGULATION:  
solid analysis, current relevance,  
and new knowledge.”

—James M. Buchanan

“REGULATION should be read by a wide audience: policymakers and analysts in Washington and the state capitals, entrepreneurs and executives in the private sector, policy scholars in the academy, and future leaders who are now students in economics, political science, law, and public administration.” —William A. Niskanen

Four times a year, REGULATION's leading policy experts analyze the twists and turns of regulations, how they work and don't work, and their economic impact. You can get your own subscription for only \$18 per year. Then spread the wealth by getting your library to subscribe, too.

YES! I need the best analysis of regulatory policy.

- 1 year (4 issues) \$18       2 years (8 issues) \$30       3 years (12 issues) \$42  
 Check enclosed (payable to Cato Institute)      Charge my:  Visa       MasterCard       Amex

Account No. \_\_\_\_\_ Exp. Date \_\_\_\_\_

Signature \_\_\_\_\_

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Mail: Cato Institute, 1000 Massachusetts Avenue, N.W., Washington, D.C., 20001 Fax: 202-842-3490

# Regulation

1000 MASSACHUSETTS AVENUE N.W.  
WASHINGTON, D.C. 20001  
(202) 842-0200 FAX: (202) 842-3490  
*Address Correction Requested*

Non-Profit Org.  
U.S. Postage  
**PAID**  
Hanover, Pa 17331  
Permit No. 4