IN REVIEW

Wards of the State

REVIEW BY GEORGE LEEF

An often-forgotten fact of American racial history is that Black people made rapid economic gains in the late 19th and early 20th centuries. They advanced despite bigotry, segregated schools, and numerous laws enacted to obstruct them. Then came the Civil Rights era and many of those impediments were removed, yet Black advancement slowed and ultimately reversed.

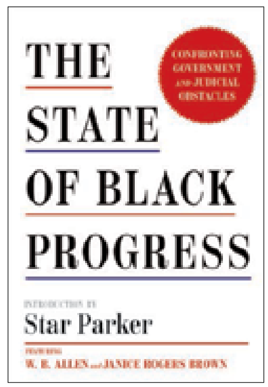
This seemingly baffling history is the subject of *The State of Black Progress*, edited by Star Parker. Parker, president of the Center for Urban Renewal and Education and a syndicated columnist, brings together 12 essays by writers who argue that Black Americans would be better off if not for a host of government interventions that have short-circuited their incentives and agency.

Wardship / Leading off the book is a hard-hitting essay by William B. Allen, "Counter-Reconstruction: A Lingering Injustice." Allen, an emeritus professor of political philosophy at Michigan State University, argues that Blacks (and indeed the nation as a whole) continue to suffer from the derailing of the hoped-for Reconstruction after the Civil War.

The post-war amendments were supposed to ensure that Black citizens would enjoy equal rights, but that goal was overridden by "a deliberate attempt to construct a wardship relation of blacks to the non-black majority, to be superintended at first by secessionists and eventually by the entire national political architecture." The despicable idea behind the "Counter-Reconstruction" was that Blacks should be excluded from the freedom enjoyed by the rest of society and instead be treated like children, an idea that Allen argues continues in our supposedly enlightened time.

Instead of receiving their freedom, Blacks were turned into governmental wards with "de facto status equivalent to the legally defined status of American Indians as dependent sovereigns." For the latter part of the 19th century and well into the 20th, the restrictions on Black freedom benefited powerful interest groups: first the racists who were determined to keep Blacks "in their place" by depriving them of the educational tools for self-advancement and legal access to many occupations, and later by the progressives who thought that the path for Black improvement must be laid by government programs on their behalf. In the former case, Blacks were despised as inferiors; in the latter, they were regarded as a pitiable group incapable of making progress on their own.

Allen points out that Blacks were making steady gains despite the earlier obstacles, especially in education. Even with segregated schools in many states, they fared remarkably well, especially with the aid of Sears, Roebuck chairman Julius Rosenwald, who provided the funding for hundreds of schools for Black children, schools with high academic standards and in which the families took pride. Many of the graduates went on to college. But after the Supreme Court's desegregation ruling in *Brown v. Board of Education* in 1954, those schools closed or were absorbed into the government school systems where they lost their edge.



The State of Black Progress: Confronting Government and Judicial Obstacles

Edited by Star Parker

344 pp.; Encounter Books, 2024

The current mania for "equity" also draws Allen's fire. It won't help Blacks for government to use its coercive powers to mandate that they and other groups be assured of appropriate "representation" in fields to match their percentages in the population. This, he states, will mean "permanent wardship" for Blacks.

The courts / Allen's essay is followed by one by former federal judge Janice Rogers Brown, who explains how numerous Supreme Court decisions undermined the rights of Blacks. The best-known of these is the Supreme Court's 1873 decision in *The Slaughterhouse Cases* where, she writes, "the Court proceeded to nullify most of the benefit the Civil War Amendments had intended to confer on the freedmen and, with the end of Reconstruction, did more than any other federal institution to snatch defeat from the jaws of victory."

Brown discusses several other cases that were equally destructive. One is *People v. Cruikshank*, involving an armed mob that broke up a Black political gathering in Louisiana. Brown writes of the decision: "The case provided the perfect opportunity to apply the Enforcement Act. Incredibly, the Court decided the

About Our Reviewers:

ART CARDEN is the Margaret Gage Bush Distinguished Professor of Economics at Samford University's Brock School of Business.

GEORGE LEEF is director of external relations for the James G. Martin Center for Academic Renewal.

PIERRE LEMIEUX is an economist affiliated with the Department of Management Sciences of the Université du Québec en Outaouais.

VERN MCKINLEY is the coauthor, with James Freeman, of *Borrowed Time: Two Centuries of Booms, Busts and Bailouts at Citi* (HarperCollins, 2018).

PHIL R. MURRAY is professor of economics at Webber International University.

PETER VAN DOREN is editor of *Regulation* and a senior fellow at the Cato Institute.

right to peaceably assemble was not a right granted by the Constitution." She also discusses the infamous *Plessy v. Ferguson*, where the Supreme Court put its stamp of approval on the "separate but equal" regime, and the astounding *Berea College* case where the Court held that states could prohibit peaceful interracial association. The courts were deeply complicit in the Counter-Reconstruction.

Healthcare / In healthcare, the government has similarly obstructed Black advancement. In her essay, Galen Institute president Grace-Marie Turner contrasts the efficacy of private versus public health insurance. A significantly higher percentage of Blacks than Whites are saddled with government health insurance, where they receive worse care and suffer longer wait times. She also explains how government policies create hurdles for medical improvements in such procedures as kidney dialysis, where innovations would benefit many poorer people. Again, being wards of the government is not beneficial for Black people.

Also writing about how government intervention worsens medical care for Blacks is Sally Pipes, a doctor and president of the Pacific Research Institute. She argues that the racial health divide is largely due to government policies that trap poorer people in deficient programs such as Medicaid. She also counters the belief that the difference in average life expectancy between Blacks and other groups is due to "institutional racism," arguing that personal choices like overeating and smoking account for the difference.

The unintended consequences of government policies are also damaging to Blacks. Pipes observes that the 2010 Affordable Care Act funneled many poorer people out of private insurance and into Medicaid with its notorious wait times. Moreover, once people get on Medicaid, they face a severe disincentive to earn enough money to escape from it because of the high marginal tax rate: As beneficiaries' income increases, their benefits decrease. They're caught in the welfare trap, amplifying Allen's point about the way welfare policies turn Black Americans into wards of the state.

AEI essays / Ian Rowe of the American Enterprise Institute (AEI) writes about the need for better educational opportunities for Blacks. Many Black parents know that their children make little progress in public schools, despite high per-pupil expenditures. Rowe cites the case of Decatur, IL, where "single digit percentages of black students are reading at grade level, but 97.3 percent of teachers were rated as 'excellent' or 'proficient' in 2017." Yet, the public education establishment does all it can to block families from exiting its schools.

Instead of receiving their freedom, Blacks were turned into government wards with "de facto status equivalent to … American Indians."

Government housing policies have also been highly detrimental for Blacks, and two essays explain how. Howard Husock, a senior fellow at AEI, begins with a sharp analysis of the failure of governmental housing projects that were meant to improve the lives of poor inner-city residents. He writes:

> The "projects," far from replacing slums, instead required the demolition of important, self-reliant black communities across the United States—replete with homeowners; small black-owned businesses; churches; and mutual aid groups. Viewed from the outside, they were slums; experienced from the inside, they were communities.

Soon after the housing projects went up, crime soared and the properties began to deteriorate. Husock focuses particularly on a project in Detroit where the federal wrecking ball demolished a dynamic urban community where Blacks were accumulating wealth. Their steady economic progress was thwarted by government planners who were certain they knew how to improve people's lives.

In his essay, Edward Pinto, director of the Housing Center at AEI, focuses on the harm done to Blacks by zoning laws. Federal officials had never had anything to do with land use patterns until 1921, when secretary of commerce Herbert Hoover assembled an Advisory Committee on Zoning. The following year, the Commerce Department published a report stating, "For several years, there had been developing a feeling that some agency of the federal government should involve itself in building and housing." Though the Constitution gives no such authority to the federal government, Hoover was undeterred. His Commerce Department was captivated by "experts" who said that excessive residential density was a serious problem that zoning laws could remedy. This initiative had an overtly racist cast, reflecting the views of an influential lawyer, Frank Williams, that "the invasion of the inferior races produces more or less discomfort and disorder, and has a distinct tendency to lower property values." In short, zoning should be used to keep Blacks out of "good" areas.

After Franklin D. Roosevelt was elected in 1932, the federal government waded further into the housing market with the Federal Housing Administration. This agency was supposed to expand access to mortgage credit, but it mainly served White Americans.

Pinto then looks at federal housing policy in recent years, observing that while it is no longer anti-Black, its attempts to help Blacks (and other lower-income groups) backfired with the housing crash of 2007. Blacks who had been lured into "affordable" housing with the government's relaxed lending standards were especially hard hit and lost a great deal of wealth. The tales of woe in housing again amplify Allen's point about the harm of treating Blacks as dependents who need government help.

Conclusion / The book closes with essays arguing that Social Security is a bad deal for all Americans, but especially for Blacks, and that poverty is boosted by governmental policies that prevent people from using their talents and ambition.

The State of Black Progress is an important "emperor wears no clothes" book that points out a crucial truth: Black Americans have been made poorer and less well educated by government policies. When Frederick Douglass was asked what should be done with Blacks, he replied, "Do nothing with us." A century and a half of "doing" has proven his wisdom. *R*

A Diverse Ideology in a Big Tent

REVIEW BY PIERRE LEMIEUX

The Individualists provides an intellectual history of libertarian thought since the birth of the doctrine in the 19th century. The title reflects the tight relationship between individualists and libertarians: "Before the term 'libertarian' caught on," the book notes, "many of the most intellectually active friends of liberty in Britain were simply known as 'individualists.'"

The authors are philosophers Matt Zwolinski of the University of San Diego and John Tomasi of Heterodox Academy, a nonprofit association for the improvement of higher education. Their book will be challenging for both libertarians and non-libertarians. To the latter, it will show that libertarianism is not as simple a doctrine as the strawmen put forth by its intellectual adversaries. To libertarians, it will suggest that their philosophy is a big tent, perhaps too big for their comfort.

Definition and typology / What is libertarianism? The authors identify six commitments or "markers of membership" that define a libertarian. Yet libertarians often disagree on how to interpret each of the markers. The markers are beliefs in:

- private property rights
- negative liberty
- individualism
- free markets
- skepticism of authority (anti-authoritarianism)
- the normative significance of spontaneous social order

In Zwolinski and Tomasi's view, broad libertarianism covers both strict libertarianism and contemporary classical liberalism. Strict libertarianism is a radicalized form of 19th century classical liberalism and includes such contemporary thinkers as Ayn Rand (although she considered her philosophy to be a school unto itself), Murray Rothbard, Ludwig von Mises, Robert Nozick, and James Buchanan. Contemporary classical liberalism entertains a presumption of liberty as opposed to the absolutism of strict libertarians; think of figures like Friedrich Hayek, Richard Epstein, David Schmidtz, Loren Lomasky, as well as Zwolinski and Tomasi themselves. Where specific theorists fit in this classification is not always clear, but the general idea of considering strict libertarians as more radical or "absolutist" than contemporary classical liberals may both correspond to what many people think and represent a useful analytical distinction.

Zwolinski and Tomasi also consider some "neoliberals" as libertarians in the broad sense. This controversial label is meant to cover thinkers who favor free markets against socialism but distance themselves from laissez-faire and generally accept a more expansive state than both contemporary classical liberals and strict libertarians. They are less critical of existing institutions that have (or had) a sweet tooth for markets, such as the World Trade Organization and the International Monetary Fund. They include figures like Wilhem Röpke, Frank Knight, and Milton Friedman, although the last can also be considered a classical liberal.

Progressive or conservative? / The book emphasizes the tension between progressive and conservative—or even, the authors claim, reactionary—elements within broad libertarianism. The historical sweep presented by Zwolinski and Tomasi is a highlight of the book and helps show the diversity within libertarianism.

Strict libertarianism started with a first wave in 19th century France, Britain, and the United States. In France, Jean-Baptiste Say and his fellow followers of the French Industrialist School fought mercantilism. They later influenced Frédéric Bastiat and, still later, Albert Jay Nock and Murray Rothbard in America. The first anarcho-capitalist, Belgian–French economist Gustave de Molinari, suggested in an 1849 article that free markets could totally replace government, including in the "production of security."

In mid-19th century England, some classical liberals followed John Stuart Mill and became "progressive liberals" in the sense that they accepted a role for the state in the explicit redistribution of income. But others hardened the classical liberal position and became strict libertarians. Among them, Herbert Spencer developed a theory of the right to ignore the state. Individualist anarchist Auberon Herbert was a disciple of his. “Libertarianism came into the world as classical liberalism’s radical child,” write Zwolinski and Tomasi.

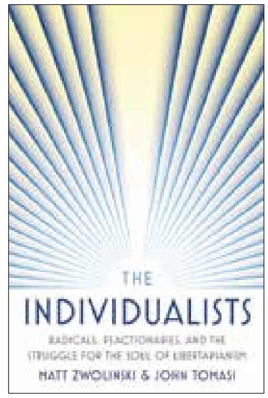
The Individualists tells the exciting story of how British libertarians Richard Cobden and John Bright created the Anti–Corn Law League in the late 1830s, which obtained the abolition of the grain tariffs in 1856. Cobden’s economic argument against these tariffs was that they raised the price of bread and hurt the poor and the middle class for the benefit of the land-owning class. But by the late 1880s, as we will see later, the political winds had turned; the chancellor of the exchequer announced that “we are all socialists now.”

In the United States, like in England, libertarians appeared in the second half of the 19th century. They focused on the fight against slavery while European libertarians were opposing socialism. American libertarians were often anarchists, and sometimes left-leaning anarchists like Benjamin Tucker. Lysander Spooner was an individualist anarchist and strong opponent of slavery.

The second wave of libertarians in America appeared in the 20th century with figures like H.L. Mencken, Isabel Paterson, Rose Wilder Lane, and Nock, who tried to ally with conservatives against socialism and the New Deal. But libertarians and conservatives disagreed on many topics. Their uneasy alliance continued during the Cold War with such figures as Rand, Leonard Read, Mises, Hayek, George Stigler, Friedman, and others. Rothbard, the well-known anarcho-capitalist, was “in many ways unique among twentieth-century American libertarians” because he thought that “the antithesis of liberty was not socialism but conservatism”—until his opinions changed.

According to Zwolinski and Tomasi, the third wave of libertarianism started around 1990. They distinguish three strands:

- **Paleo-libertarianism**, whose main figures include (the later) Rothbard and Lew Rockwell, emphasizes cultural conservatism, defense of Western culture, and objective standards of morality. Some paleo-libertarians have jumped on the anti-immigration bandwagon and supported the quite illiberal Donald Trump.
- **Contemporary classical liberals**, which include theorists such as Lomasky and Schmidtz, but also the so-called Bleeding Heart Libertarians (BHL or BHLers), which may perhaps be compared to left classical liberals à la Mill.
- **Left libertarians** or left-wing market anarchists, who uncompromisingly judge the current political–economic system “by libertarian standards” and reject it as unjust and statist.



The Individualists: Radicals, Reactionaries, and the Struggle for the Soul of Libertarianism

By Matt Zwolinski and John Tomasi

432 pp.; Princeton University Press, 2023

With such diversity among the libertarians, both over time and currently, interpretation of the membership markers varies. Consider:

Private property /Although all libertarians believe in private property rights (the first marker), they propose different justifications and implications. Henry George even opposed the private appropriation of land.

Libertarians also diverge as to what should be done when a break has occurred in the legitimacy of the transmission of property, when usurpation has occurred at some point in time. Rationalist and strict libertarians such as Rothbard argue for the unconditional compensation of those who have been deprived of their legitimate property whenever it is possible to identify them or their descendants. Other libertarians adopt a more practical approach, à la David Hume, where private property is based on conventions that arise through a spontaneous-order process with the function of solving scarcity problems. Compensation is only warranted for current or recent injustices that create current conflicts and are possible to correct without creating more conflict or injustice. Zwolinski and Tomasi sensibly argue that the Humean approach is often more consistent with other libertarian theories than it seems at first sight.

Trade, migration, peace / Negative liberty (the second marker) means that liberty is the absence of coercion by others, not a positive obligation to do something for them. It implies minimum state intervention and, at the limit, that the state only protects the negative liberty of all. (An obligation consented to is not imposed.) This conception of liberty naturally does not stop at political borders. As Zwolinski and Tomasi note, the libertarian position is often summarized as “free trade, free migration, and peace.” “The libertarian vision is cosmopolitan,” they write, and libertarians generally believe that “basic human rights—including economic rights—apply to all persons everywhere, regardless of boundaries.”

Cobden and Bright saw the major benefit of free trade in its contribution to peace through overcoming patriotic boundaries. Their ideal of liberty also applied to foreigners. Cobden was a cosmopolitan who believed in a united world where conflicts between national governments would be solved by voluntary “judges agreed upon by the conflicting parties themselves.” He toyed with the idea of a federation of European states. He opposed the participation of the British state in the Crimean War (1853–1856) after the Russian government gained control of that territory.

He argued against the British tradition of imperialism. As a result, his popularity and influence in England vanished.

The late 19th century American libertarians were similarly opposed to participation in international wars, notably the Spanish-American War of 1898 and its follow-up in the Philippines. To protest the war, William Graham Sumner of Yale University became an active member of the Anti-Imperialist League. In America as in the United Kingdom, the 19th century ended with much libertarian pessimism about the future of liberty.

In the 20th century, Mises explained that libertarianism is an internationalist doctrine, that peaceful cooperation between national states is important, and that free international trade is essential. In his 1944 *Road to Serfdom*, Hayek proposed a form of international federalism and minimal state. (See "Where Are We on the Road to Serfdom?" Fall 2021.) Mises favored the right of democratic secession of any part of a country provided that individual liberty was maintained in the seceding region. In a liberal world, immigration would not be a problem. Frank Chodorov, a follower of Nock, distinguished between *political* isolationism, meaning no foreign interference, an idea that he and other libertarians advocated, and *economic* isolationism, which they rejected in favor of free trade.

Zwolinski and Tomasi explain that there is no history of libertarian defense of immigration in the 19th century simply because it then faced little restriction except for private financial costs. The Burlingame Treaty of 1868 between the US government and the Chinese emperor contains a revealing clause that recognized "the inherent and inalienable right of man to change his home and allegiance, and also the mutual advantage of the free migration and emigration ..., for purposes of curiosity, of trade, or as permanent residents." So, explain Zwolinski and Tomasi, "the full libertarian position did not come into its own until it had something to push against." In his 1927 book *Liberalism*, Mises wrote that "the liberal demands that every person have the right to live wherever he wants."

Many contemporary classical liberals or libertarians such as Hayek and Buchanan later accepted some restrictions to immigration for the purpose of protecting a free society and its institutions. Paleo-libertarians like Hans-Hermann Hoppe proposed a very different argument that residents have a property right over incoming immigrants. As Zwolinski and Tomasi correctly note, it is not clear that public places are anything else than a sort of unowned commons also open to immigrants, nor why the majority in a community would have the right to overrule a minority who welcome immigrants.

Racial justice / The BHL approach applies to "structural" or "cultural" racism and possibly to other forms of discrimination against groups, thereby pushing for a reinterpretation of individualism (the third marker). Nineteenth-century libertarians radicalized the classical liberals' "already egalitarian and racially progressive doctrine." Mill strongly opposed the conservative Thomas Carlyle's racist elitism. Yet, in the 20th century, most libertarians—including Rand, Friedman, and Walter Williams—opposed the coercive ban on private discrimination legislated by the Civil Rights Act of 1964. Zwolinski and Tomasi wonder if "rights-respecting racism" is not "a libertarian blind spot."

Big business / Support for free markets (the fourth marker) does not imply unconditional support for businesses. It is difficult to determine whether it was "labor" or "business" that first benefited from state privileges. Left libertarians entertain a presumption in favor of labor, while other libertarians hold a presumption for business. Left libertarians have viewed large regulation schemes from the Progressive Era, such as the Federal Trade Commission, as established to protect incumbent businesses against competition. I would add that many less radical classical-liberal economists of our time have argued that business enterprises "capture" government regulation.

Anarchy / Anti-authoritarianism (the fifth marker) has led some libertarians to anarchism and especially to "anarcho-capitalism," which was the original idea of Molinari. Anarcho-capitalists believe in private property, contrary to traditional anarchists on the left. They also believe in personal morality, contrary to some 19th century American anarchists. Spooner and contemporary philosopher Michael Huemer defend the "moral parity" thesis according to which governments have no rights that are not derivable from individual rights, which implies no power to tax. (See "A Wide-Ranging Libertarian Philosopher, Reasonable and Radical," Winter 2021–2022.) Rothbard reached similar conclusions with different ethical arguments. Left-libertarian anarchists such as Roderick Long and Gary Chartier oppose big-business capitalism but defend markets, extending the tradition of Benjamin Tucker.

When we consider that libertarian economist Tyler Cohen favors more "state capacity" for promoting economic growth, we can measure the width of the libertarian spectrum on the statist–anarchist dimension. Even more extreme are the paleo-libertarians, who seem to merge with the far right. As noted in *The Individualists*, they sometimes condone police brutality and "rough justice," and Rothbard proposed a "right-wing populism."

Poverty / Libertarians disagree on the capacity of spontaneous order (the sixth marker) to eliminate or alleviate poverty. For most classical liberals from Bernard Mandeville to Adam Smith to modern libertarians, the only way to effectively combat poverty is a free-market economy based on self-interest. But not all libertarians in a broad sense reject all government assistance. Friedman and Hayek argued there should be some sort of annual guaranteed income or income threshold under which nobody should fall. Buchanan thought that a unanimous social contract could adopt a rule establishing an equal "demogrant," the equivalent of an annual guaranteed income. (See "Designed for Another World," Summer 2024.)

The authors of *The Individualists* give much importance to BHL, of which Zwolinski has been the main inspirator. The BHLers go further than even most other classical liberals on issues related to inequality: They want to reconcile libertarianism with "social justice." Even if Hayek specifically condemned the notion of social justice as a "mirage," Zwolinski and Tomasi argue, he converged with Buchanan and Rawls toward the view that an entire system of rules can be just or unjust. For the BHLers, social justice is only condemnable if it serves "to forcibly direct goods to some favored group or other." According to them, the ideal of negative liberty is often not sufficient to correct the consequences of injustices.

Critiques / To summarize, Zwolinski and Tomasi claim that "libertarianism was largely progressive and radical in the nineteenth century, then took a conservative turn in the twentieth" with conservative alliances and the appearance of paleo-libertarians. In the 21st century so far, the third wave of libertarianism shows much diversity between paleo-libertarianism, contemporary classical libertarianism, and left libertarianism.

As instructive as the book is, it is open to a few general critiques. One of them, I think, is the disproportionate importance that Zwolinski and Tomasi give to BHL, their own flavor of contemporary classical liberalism. It is far from obvious that the standard libertarian argument for negative liberty is not sufficient to combat poverty, racism, and other valid concerns. The more attention that group claims receive, the more identity groups will form to stake such claims. The more redistribution is realized, the more will be required, by both the net taxpayers to get even in other ways (say, business subsidies), and the beneficiaries who never have enough. If negative liberty needs to be exceptionally restricted, the only valid argument to do so would arguably lie in a unanimous contractarian argument à la Buchanan.

As for the legacy of racism, I would argue that the way to undo it is not to grant special privileges to its victims or the descendants of its victims but to abolish government restrictions that prolong the problem: professional licensure, minimum wage laws, zoning laws, police militarization and brutality, criminalization of victimless crimes (23 percent of Black adults are convicted felons), and similar measures. (See "The One-Percenter State," Spring 2020.) Such orientations would facilitate the discovery and affirmation by Black individuals of their equal dignity and liberty—as opposed to perpetuating their status as victims.

Legal scholar David Bernstein has made some practical proposals, cited by Zwolinski and Tomasi, that should be considered. For example, he suggests replacing the current coercive bans on discrimination in hiring with a mere default rule of non-discrimination that would leave an employer free to discriminate provided the opting-out is disclosed. Many firms would likely eschew such discrimination lest they displease their non-bigoted customers or investors.

Another problem: the authors' BHL ideology suffers a too common error: assuming that a good idea will be sensibly legislated and implemented by government. This is not how governments and democratic politics work. If they did work that way, there would today be no trace of racism after more than a half-century of policies to combat it. If the state has not been able to do better, we can assume it will not be more successful after another century of imposing group justice, except in increasing its own power.

Last but not least, there is a big absence in the book's review of contemporary libertarian schools of thought. Nowhere is the work of economist and political philosopher Anthony de Jasay mentioned. In my opinion, de Jasay fundamentally renewed both the critique of the state and the liberal–libertarian argument for anarchy. (See "A Conservative Anarchist? Anthony de Jasay, 1925–2019," Spring 2019.) De Jasay's work also attenuates the relevance of the standard left–right, progressive–conservative distinction, and throws new light on political philosophy and libertarianism. For sure, he is far from an academic household name, but his first, seminal book, *The State*, was published four decades ago. Since I did not myself immediately discover its importance (Buchanan was quicker), I can't really cast the first stone.

In my view, the real watershed between libertarians and classical liberals on one hand, and the rest of the political world on the other, lies in the distinction between the primacy of individual choices and the primacy of collective choices. In his radical book *Social Contract, Free Ride*, de Jasay defines (classical) liberalism as "a broad presumption of deciding individually any matter whose structure lends itself, with roughly comparable convenience, to both individual and collective choice." (See "Against the State and Its 'Public Goods,'" Spring 2024.) This definition, which looks very moderate, may help find the irreducible core of libertarianism.

Is libertarianism too large a tent, with too many diverse occupants? The authors of *The Individualists* believe that "libertarianism is not accidentally but intrinsically a diverse ideology" and that "the tension between radical and reactionary elements is not accidental but intrinsic to libertarian thinking." They seem to attribute this characteristic to the different circumstances where the major threats to liberty changed. Perhaps it is also because libertarianism is defined along a different dimension than the standard left–right spectrum: the dimension of individual choice/collective choice. At any rate, analysis, discussion, peaceful diversity, and tolerance are pluses, not minuses. Zwolinski and Tomasi's book is a useful guide in these interrogations. R

IN REVIEW

A Tour of Healthcare Economics

REVIEW BY PHIL R. MURRAY

Tal Gross and Matthew Notowidigdo have been collaborating since they were in graduate school together at MIT. Today, they are economists specializing in healthcare, Gross at Boston University and Notowidigdo at the University of Chicago. In their new book *Better Health Economics*, they proclaim, "The world needs health economists because healthcare is different from every other part of the economy."

They list a bunch of these differences:

- The most effective way of paying a physician is an open question.
- An insurance company negotiates and pays on behalf of the patient.
- Patients lack a good understanding of healthcare.
- The market for healthcare is a matching market in which physicians, patients, and insurers select one another.
- In some cases, government mandates the provision of healthcare without compensating the provider.
- The choices that one individual makes with respect to healthcare may harm or benefit others.

"This book," the authors tell the reader, "is an answer to all of the people who wonder what it is that health economists do."

Insurance's effects / Gross and Notowidigdo begin by introducing health insurance as "a *financial* product" that is "first and foremost, a tool for handling financial risk." They quote from a 2018 *Annual Review of Economics* article by Amy Finkelstein, Neale Mahoney, and Notowidigdo: "Health insurance allows risk-averse individuals to transfer resources across states and thus smooth their consumption in the face of unanticipated, out-of-pocket medical expenses."

Having health insurance entails "financial consequences." As grad students, Gross and Notowidigdo measured the effect of rising enrollments in Medicaid programs on bankruptcy rates. They write, "nearly all states saw an increase in bankruptcy rates," but "states that expanded Medicaid the most saw the smallest increases in bankruptcy rates." Then they write:

> In all cases, we found a robust negative relationship: Medicaid expansion seemed to lower the number of bankruptcies. If a state expanded Medicaid eligibility to cover an additional 10 percent of the population, our results suggested this would reduce the consumer bankruptcy rate by 8 percent.

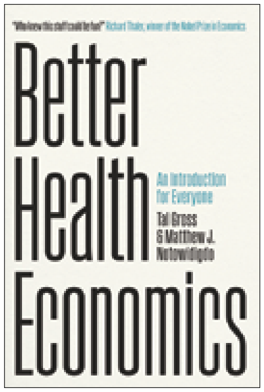
There is an apparent conflict in these passages. On the one hand they write that Medicaid expansion *lowered* the bankruptcy rate, but on the other hand they claim that *all* states experienced an *increase* in bankruptcies. So, there must be a secular trend of increasing consumer bankruptcy, and Medicaid expansion was not enough to fully offset it. Nevertheless, they summarize the financial consequences of health insurance as follows: "More health insurance means fewer bankruptcies, defaults, and delinquencies."

Health insurance not only has financial effects but also consumption effects, write Gross and Notowidigdo. Years ago, when Oregon randomly selected residents for the state's Medicaid program, a group of researchers led by Finkelstein used it to study the effects of health insurance on health-related outcomes. They determined that Oregonians who "won the [coverage] lottery" and obtained Medicaid coverage were "more likely to visit the emergency room, more likely to have an outpatient visit, more likely to be hospitalized, and more likely to pick up prescription medications" than those who were not randomly selected.

Insurance also appears to have health effects, Gross and Notowidigdo write. Another study examined US taxpayers who were penalized for failing to have health insurance in the early years of the 2010 Affordable Care Act (ACA). IRS employees mailed randomly selected taxpayers "letters suggesting that they sign up for health insurance" so they might avoid paying a tax penalty the next time they filed a tax return. A greater share of taxpayers who were reminded to obtain health insurance did so than the share of taxpayers who were not reminded. The result: "Americans who received one of these letters faced a risk of death that was about half-a-percent lower than those who did not." Individuals who obtain health insurance not only get more healthcare; their health improves.

Adverse selection / Having demonstrated that health insurance is good for people, Gross and Notowidigdo argue that government should require people to buy it. Their argument rests on *adverse selection*, the concept that people with higher health risk are more likely to buy insurance.

To illustrate, they imagine a market with 26 individuals on the demand side (Aaron to Zack) whose "expected healthcare costs" range from $1,000 per year (Aaron's) to $26,000 per year (Zack's). Their insurer aims to break even. If the insurer sets the premium at the average cost of $13,500, it will fail to break even because of non-medical costs. If the



Better Health Economics: An Introduction for Everyone

By Tal Gross and Matthew J. Notowidigdo

243 pp.; University of Chicago Press, 2024

insurer raises the premium, healthier individuals with lower expected healthcare costs will decline to buy a policy, while sicker individuals with higher expected costs will remain. The insurer still fails to break even. "This process," the authors state, "is sometimes called 'unraveling.'"

"Throughout history and across countries," they maintain, "there has never been a robust market for individual health insurance." Competition does not help. Gross and Notowidigdo imagine an incumbent insurer that suddenly is faced with a competitor whose "business strategy is 'cream skimming.'" This competitor refuses to cover customers with higher costs, and thus can charge a lower premium than the incumbent. The newcomer then attracts healthier, less expensive customers, while the incumbent is stuck with sicker, more expensive customers. The incumbent then raises its premiums further, incentivizing its remaining lower-cost insureds to switch to the newcomer, or joins the newcomer in refusing to cover higher-cost customers, or else goes bankrupt. To correct the problem of adverse selection and prevent the market for health insurance from unraveling, the authors recommend "an individual mandate and subsidies" for high-cost customers.

There are some problems with their story, however. Although there are more healthy and less healthy individuals, one reason the less healthy Zack spends an average of $26,000 per year is that he incurs "regular, predictable costs" such as "test strips, insulin" if he is diabetic. The purpose of insurance, the authors told us, is to cover "unanticipated" expenditures. An insurer cannot break even covering expenditures that are certain to occur. Put differently, if Zack is trying to find a way to pay for medical expenses he knows he'll incur, he is *not* in the market for *insurance*, but for healthcare generally. So, it is not necessarily the market for *insurance* that is malfunctioning.

This difference explains why American healthcare is regulated the way it is. In addition to recommending "mandates and subsidies" to counter the selection problem, Gross and Notowidigdo reason that "regulators also need to dictate what services insurers cover." Their view of government regulation is too rosy. Recall the legal controversies following the ACA requirement that employer-provided insurance cover contraceptive services. In this sense, regulation is not a fix; it is politicization that leads to courtroom battles.

Moral hazard / If health insurance providers and consumers overcome the selection problem and get together, another problem will surface: *moral hazard*. Gross and Notowidigdo explain it this way: "Healthcare becomes so cheap that people consume healthcare that they barely value." The authors cite a RAND experiment in which some households paid for their healthcare while others did not. Paying households used significantly less care than those that did not pay. Furthermore, paying households used less care "regardless of whether it was effective or ineffective," but that did not adversely affect a person's health "on average." That qualification is necessary because members of households who paid for healthcare that were less healthy to begin with became even less healthy.

The authors describe a new approach to dealing with moral hazard: value-based insurance design (VBID). "The VBID crowd," they explain, "argues that people should face no deductibles at all but rather a different price depending on their health and the healthcare they are seeking." Price setting by VBID might be difficult to accomplish. The authors admit that VBID is no panacea, not only because "it's not so easy to single out which care is worthy of either zero cost or a high price," but also because consumers might resist.

Supply side / Gross and Notowidigdo focus on the supply side of healthcare markets as well as the demand side. They grapple with the issue of doctors' pay. The mean of all doctors' incomes was $340,000 in 2017. Primary care doctors earned below the mean: $243,000. Surgeons earned above: $500,000.

Both the market process and politics explain doctors' incomes. The authors report research based on "a unique data set with nearly all American physicians' salaries." Specialties that require more training fetch higher salaries than specialties that require less training. Also, specialists who work longer hours earn higher salaries than specialists who work fewer hours. The authors attribute those results to the market.

Politics matter because doctors lobby government officials to erect and maintain barriers to entry. For example, the American Medical Association lobbies to prevent nurse practitioners from competing against doctors. Similarly, foreign doctors face legal barriers to practicing in the United States. "The goals of organized physicians," Gross and Notowidigdo write delicately, "do not perfectly align with what is best for the American public."

Although the authors appreciate what doctors do, they have an "uncomfortable conversation" about how to compensate doctors. It is uncomfortable for two reasons: doctors' compensation is about a tenth of all healthcare expenditures, and their desire to find a way to compensate doctors so that healthcare outcomes will improve.

Traditionally, doctors were paid on a "fee-for-service" basis. In that case, doctors might schedule patients for more appointments than necessary or perform more tests or procedures than are necessary. One of several "alternative payment schemes" is to pay bonuses to doctors when their patients achieve favorable health outcomes. For instance, if a doctor's patients reduce their blood pressure, the doctor would receive a bonus. Aligning a doctor's pay with the health of his or her patients sounds promising, but there are problems. For one, doctors might decline to assist the least healthy patients.

The authors expect the reader to ask, "What payment method is best?" Their response is, "They're all terrible." Each way of paying doctors involves tradeoffs. The authors resolve to continue searching for a better way to compensate doctors.

Care quality / There is much applied microeconomics in the book. Readers may learn, for example, who bears the burden of covering the cost of healthcare for those without insurance, how hospital administrators and doctors respond to incentives, and the effects of horizontal and vertical mergers in the healthcare sector.

Issues surrounding the quality of healthcare were especially interesting. Gross and Notowidigdo warn that "it's hard to measure quality." One group of researchers sought to determine whether hospitals with higher patient survival rates, lower readmission rates, and other favorable indicators attracted more patients. In fact, they did. Gross and Notowidigdo insist that anyone measuring the quality of healthcare must randomly assign patients to hospitals or doctors. This is to assure that whoever is studying quality will not be fooled into thinking that hospitals or doctors who accept the least healthy patients are providing lower quality care.

Measuring quality leads to unintended consequences. The authors describe a New York State initiative to measure the performance of cardiologists. The evidence showed the cardiologists referred less healthy patients to the Cleveland Clinic rather than keep them in their practices. In other words, measuring performance led to "cream skimming."

Conclusion / Gross and Notowidigdo tend to be critical of markets and confident that experts or government officials can improve upon less-than-ideal market outcomes. Take this passage from their chapter on prescription drugs:

> The private market, left to its own devices, is not going to work, because the R&D involved is a public good. There is a role for the government in developing new medicines, because free markets can't sustain public goods. Individuals, on their own, won't build lighthouses, because they can't force users to pay for the lighthouse. The same is true of pharmaceutical R&D, and therein lies the problem that only a government can solve.

The authors do not mention Ronald Coase's insight that private individuals did in fact operate profitable lighthouses in 19th century Britain, suggesting that public goods problems are not always intractable. Perhaps Gross and Notowidigdo should lessen their enthusiasm for "interventions" and "nudges."

Overall, they accomplish their goal of providing "a tour of health economics," though I was disappointed they did not include a discussion of preexisting conditions. As tour guides, they are at their best when citing empirical literature, warning of unintended consequences, and identifying tradeoffs. They would be better if they recognized the limits of expertise and government regulation. R

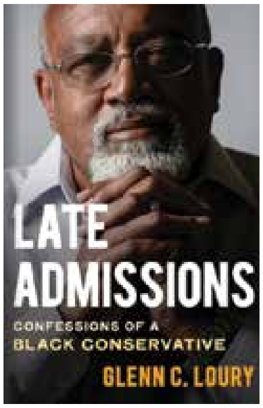
An Unflinching Autobiography

REVIEW BY ART CARDEN

In *Late Admissions*, Brown University economist Glenn Loury offers an insightful and heartbreakingly human account of his life. He is unflinching in describing his younger self's pathological narcissism and demented belief that rules did not apply to him because he was "Glenn F—ing Loury." Borrowing from Tom Wolfe's *The Bonfire of the Vanities*, Loury writes that he thought of himself as one of the Masters of the Universe during the Me Decade of the 1980s. He tells of his sexual and narcotic recklessness, explaining that he considered them no more and no less than extensions of his greatness. The results were predictable and tragic, and he concludes, "I am the enemy within."

His brilliance as an economist and his struggles as a person—and his brutal honesty about both—make *Late Admissions* difficult to put down. It will appeal to many kinds of readers, from economists impressed by Loury's achievements, to armchair psychiatrists astonished by his hubris, to ordinary people interested in a human tale of success, failure, and overcoming.

Brilliant economist / Loury took a crooked road to the top of the economics profession. He grew up among less-than-stellar role models in a working-class neighborhood on Chicago's South Side. He dropped out of the Illinois Institute of Technology because he was not a serious student, but then, after gaining a bit of maturity, he became a star student at Northwestern University. His prodigious talents convinced him he could have it all: He could be a star at his full-time job, a virtuoso in the classroom, and a "player" on the streets. It fed an arrogance that led to his downfall.



Late Admissions: Confessions of a Black Conservative

By Glenn C. Loury

448 pp.; W.W. Norton, 2024

He decided he wanted to go into academic economics and got his graduate training at MIT, where the department took a highly technical/theoretical approach to economics under the guidance of Nobel laureate Paul Samuelson. Economist Arnold Kling has described the central tenet of "Cambridge Economics"—referring to both Cambridge, MA, and the UK's University of Cambridge—as "Markets fail, use government." This approach searches for market failures—information asymmetries, externalities, and so on—and explains how to fix them with elegance and mathematical precision. Loury's prowess at this earned him a job at Northwestern, where Roger Myerson, Bengt Holmström, and Paul Milgrom (hired after Loury) were doing work that would win them Nobel Prizes.

Loury's work explained how "social capital" mattered for long-term development for individuals and groups and how it was conspicuously missing from many Black communities. He argued that market forces alone might not close racial and income gaps even in the long run: children of poor parents cannot borrow in toddlerhood to finance the kinds of early-childhood interventions that Nobel laureate James Heckman has shown to be so important. Redistribution that overcomes these capital market imperfections could, therefore, promote growth. Loury did brilliant work in this area, publishing articles in leading journals like *Econometrica*, the *Quarterly Journal of Economics*, *American Economic Review*, and *Review of Economic Studies*.

Yet, even as he triumphed professionally, he was making increasingly dangerous choices personally. As he explains, his ability to live with a calculator in one hand and a crack pipe in the other, dominating two worlds that did not overlap, fed his narcissism.

***Black conservative* /** On the political spectrum, Loury has bounced from right to left and back to right again over four decades and is now among the most prominent of a small but notable coterie of Black conservatives. His influence has grown thanks to a weekly podcast, *The Glenn Show*, currently sponsored by the Manhattan Institute, that I look forward to every Friday (particularly his biweekly conversations with linguist John McWhorter). *Late Admissions* chronicles his fascinating journey navigating the world as both an intellectual (who happens to be Black) and an official Black Intellectual.

His views about Black communities put him at odds with what he calls the "Negro Cognoscenti," who accuse him of disloyalty because he does not share their political commitments. In their eyes, Loury might be phenotypically Black, but since he is not politically Black, so to speak, he is inauthentic and unwelcome in their circles. Throughout the book and in many episodes of his podcast, he chafes at the idea that he is not allowed to define for himself what it means to be authentically Black, particularly given that so many among the Cognoscenti grew up among professionals and the haute bourgeoisie rather than the working class This reminds me of Thomas Sowell's controversial 1981 *Washington Post* essays "Blacker than Thou" and "Blacker Than Thou II," which are worth reading as a complement to Loury's book.

The book offers a revealing insider's perspective for outsiders like me who share the Cognoscenti's desire to improve the lives of Black Americans but reject the Cognoscenti's politics. Loury discusses emotional and strategic elements of public policy that are easy to lose sight of. Support for Affirmative Action is perhaps more accurately described as a religious commitment than an intellectually embraced policy: To question it, as Loury does, is to assault one of the tenets of the progressive faith. To borrow language Sowell uses in several places, Loury treats as hypotheses to be tested many propositions that are, for activists, axioms to be defended. In one section, the National Association for the Advancement of Colored People refuses to support a proposal to eliminate gas price controls even though it is structured to provide tax credits to people who might be made worse off by higher gas prices because people would see it as a concession to the Reagan administration. In another passage, he recounts the time he gave a hard-headed presentation that left Coretta Scott King in tears. His experiences illustrate the problems so many economists have translating ideas and abstractions forged in the seminar room into proposals that play well from the pulpit or the street corner.

This is not to say that Loury only directs his critical gaze leftward. He recounts his frustration with Richard Herrnstein and Charles Murray's 1994 book *The Bell Curve*, his disaffection with conservative periodicals that would not publish his critical review of the book, and his disgust with Dinesh D'Souza's

His ability to live with a calculator in one hand and a crack pipe in the other, dominating both worlds that did not overlap, fed his narcissism.

1995 book *The End of Racism*, which culminated in Loury's disaffiliation with the American Enterprise Institute. He discusses how his review of *America in Black and White* in *The Atlantic* cost him his friendship with prominent conservative academics Abigail and Stephan Thernstrom. Loury is his own man with a great mind, and *Late Admissions* takes us along as he struggles to find a comfortable political and intellectual home.

Drawing on his academic work on self-censorship and social capital, Loury is a regular participant in the ongoing discussion about the nature of the university. Heterodox Academy founder Jonathan Haidt has argued that universities must decide between competing purposes: open inquiry and social justice. Loury is squarely on the side of open inquiry. The university, he argues, is not a finishing school for aspiring social justice warriors. He registers his dismay with Brown University students who shouted down New York City Police Commissioner Ray Kelly and the faculty members and administrators who applauded them for it. According to Loury, this has no place at a university. Instead, people are supposed to lay out arguments and then evaluate them theoretically and empirically. The university is not a place for sacred cows, and Loury is at the forefront of the argument.

Lapsed Christian / I was especially interested in Loury's journey to and from evangelical Christianity for several reasons. First, I'm an evangelical Christian myself, and we are not especially well-represented in the academy. Second, his self-characterization as a Master of the Universe is straight out of every biblical sin narrative. He devours fruit from the Tree of Knowledge of Good and Evil with defiant gusto while shaking his fist in the face of God and saying: "I'm Glenn F—ing Loury! Who are *you* to judge me?" Lest we judge, let's remember that Alexandr Solzhenitsyn was exactly right when he said that the line dividing good from evil runs through the heart of every man, and a few brief moments of introspection will show us examples of when we've done the same thing.

Loury's journey to the faith will be familiar to many believers: Struggles with drugs and reckless behavior led him to the foot of the Cross. His journey away from the faith will be just as familiar: He saw up close just how corrupt and hypocritical Christians can be during his formative years, and he asks a fair question, which I paraphrase: What does it say about God if these con artists and hypocrites are his emissaries? A funeral also soured him on the devout. People prayed earnestly and fervently for healing, fully expecting the extremely unlikely. The healing never came (on this side of Eternity, anyway), and he was shocked that the subsequent funeral was much more celebration than mourning. I'm all for celebrating people's lives here and in the Great Beyond, but grief is perfectly natural when bad things happen. "Jesus wept" at Lazarus's tomb (*John* 11:35) even though he knew full well that he was about to raise the man from the dead. I think about Loury's experience at the funeral often. As he explains, this might have been the straw that broke the camel's back—or, at least, it was a useful pretext for leaving.

The book is not a salacious tell-all, but it helps us see a lot of the moral rot in the ivory tower, just like in church, government, and business.

Master of the Universe / For better or worse, Loury's sexual exploits, family drama, and substance abuse will sell the book—and possibly the movie rights (casting recommendation: Idris Elba as Loury, John Legend as McWhorter). My review copy has loads of explanation points in the margins because so much of the book is so shocking. Loury is clear from the beginning: he's telling us every salacious detail of his life, including things no one would want known about themselves, in a sincere effort to signal to his readers that he is absolutely serious.

One of his frequent tropes is especially effective in his discussions of his pretensions to Mastery of the Universe: His pathological narcissism is on full display in example after example of how he thought the rules did not apply to "Glenn F—ing Loury." Growing pot on his porch in full view of students and faculty? Having an affair with his best friend's wife? Renting a secret love nest for his mistress? Going to public events with his mistress rather than his wife? The controversy that followed when the affair ended loudly and visibly, with the police getting involved? He ends up crying in the bathtub about the mess he made, and the reader asks, "Has he finally seen the light?"

No; it's not 10 pages later that he's smoking crack with a prostitute. As he descends into addiction, he reasons that it would be cheaper and easier to control quality if he found a reliable supplier of quality cocaine and made his own crack. He becomes so obsessed with his next high that we find him smoking crack in his Harvard office during off hours, when he thinks no one is around, only to end up sweating over the possibility of being discovered because his colleague Thomas Schelling shows up in the office next door. Once again, controversy erupts when he gets arrested.

Late Admissions is not a salacious tell-all, but it helps us see a lot of moral rot in the ivory tower, just like in church, government, and business. We are familiar with scandals involving plagiarism and fake data. The #MeToo movement has yielded many reckonings (and false positives). Loury describes how Schelling's drinking led to a drunk-driving mini-scandal Harvard had to cover up. He also describes Schelling's long-term, long-distance affair that broke up his marriage after his children left home.

In their biography of F.A. Hayek, Bruce Caldwell and Hansjoerg Klausinger detail the deplorable lengths to which Hayek went to secure a divorce so he could marry his mistress. (See "Complicated and Human," Summer 2024.) From the end of Loury's book and what I've learned on his podcast, his efforts to patch things up with his family have been mostly successful—and he recognizes how fortunate he is in that respect.

Had it been shorter and had I had fewer responsibilities, I could have read *Late Admissions* in a single sitting. Economists will like it because it is a deeply personal reminiscence from one of our greatest contemporary economists and because we know the cast of characters well. People interested in African American history as well as the present cultural moment will like it—or should—because it is a statement by an independent mind who did important research on the economics of racial and social inequality that was somehow absent from the American Economic Association's official list of recommended readings on racial and social inequality. (It says something distressing about the dismal science that Ibram X. Kendi made the list while Loury didn't.) People interested in the psychology and experience of addiction will appreciate the book because they will see bits of themselves in Loury's narcissistic and self-destructive enemy within.

Late Admissions is unique. It speaks to different audiences on different levels, and it gives people a front-row seat to the trials and tribulations of someone who could be, at the same time, a great economist, a trenchant social critic, and a scoundrel. Loury lays himself bare for all to see. He softens nothing, makes no excuses, and doesn't spin things to put himself in a positive light. He deserves commendation for doing something people hate to do: be unflinchingly honest with—and about—himself. R

Consulting Firm Ideology

REVIEW BY VERN MCKINLEY

Often referred to as a prestigious or elite consulting firm, McKinsey & Company is known for its strategic reviews that are targeted to reengineering the business models and operations of major worldwide companies, organizations, and governments. Walt Bogdanich and Michael Forsythe, *New York Times* award-winning investigative reporters and the authors of *When McKinsey Comes to Town*, would no doubt use much less flattering terms to describe the firm. In the book, they take McKinsey to task for its many conflicts of interest and for advancing the causes of sleazy industry and government clients (although they don't use that exact descriptive phrase).

I previously reviewed a book on the "Big Four" accounting/consulting firms ("Are the Big Four on Their Last Legs?" Fall 2019). McKinsey belongs to, and is the largest of, the "Big Three" firms solely dedicated to strategy consulting. Boston Consulting Group and Bain & Company are the other two firms and are mentioned throughout *When McKinsey Comes to Town*.

Exemplary case? / The book's title is explained in the introduction. As the authors tell it, one of the towns where McKinsey applied its magical consulting formula was Gary, IN, infamous for its economic ups and downs. It was a boom town, thanks to US Steel's presence, in the first half of the 20th century, and it peaked in population at a "high of 177,000 in 1960." The city is now a shell of its former self, crime-ridden and with a population of just 69,000 as of the most recent census, notwithstanding US Steel's continued presence.

Mario Longhi was US Steel's new chief executive in 2014 when he hired McKinsey to turn around a company burdened by old and inefficient methods. According to Bogdanich and Forsythe:

> McKinsey came to U.S. Steel with the goal of restoring the steelmaker to its iconic status as a company that built the nation's bridges, buildings, and weapons that defeated America's enemies. With McKinsey's help, U.S. Steel promised to recapture that spirit through "a relentless focus on economic profit, our customers, cost structure and innovation"—all without sacrificing safety or harming the environment.

But the authors claim McKinsey's subsequent plan was simply a well-disguised scheme to "cut costs—a plan that workers said jeopardized their safety." By 2017, large losses were posted and Longhi departed the firm with a $5 million golden parachute.

McKinsey lingered on at US Steel, pulling in $13 million in fees from 2018 to 2020. Today's headlines reveal the most recent twist in the US Steel saga: Japan's Nippon Steel has been pursuing the steelmaker, shareholders have approved a purchase, but the Biden administration has expressed opposition to the deal. (See p. 8.)

Obvious conflicts? / In a chapter entitled "Playing Both Sides," the authors lay out McKinsey's history of simultaneously advising both the state and the regulated entities under state oversight.

The saga starts in 2017 with newly elected Illinois Republican governor Bruce Rauner clashing with the state's Democratic comptroller, Susana Mendoza. Rauner appointed a former McKinsey official, Leslie Munger (whom Mendoza defeated in the 2016 election), as his deputy governor. Illinois' Medicaid director at the time, Felicia Norwood,

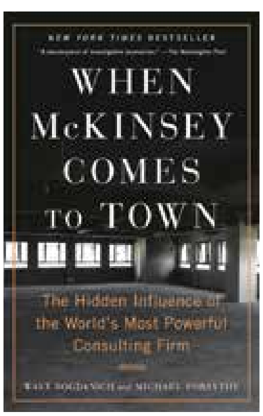
IN REVIEW

also had a history with McKinsey, having worked with them during the mid-1990s to assess the organizational deficiencies in public assistance programs. Amid a fiscal crisis, Illinois had no approved budget and the governor and state comptroller were at odds on fiscal issues:

> Mendoza wanted to know why private consultants appear to be prioritized for payment ahead of critical services like senior centers, hospice care facilities and educational institutions.… With lifesaving services starving for money, Illinois officials were quietly shoveling millions of dollars out the door to McKinsey consultants.… [S]he froze $21.6 million the state had agreed to pay consulting firms for technology advice—most of it earmarked for McKinsey.

Bogdanich and Forsythe also were able to get their hands on a previously secret client list useful in determining conflicts of interest, and "it showed McKinsey's deep financial ties to the managed care industry."

The tales of US Steel and the State of Illinois are only the beginning. The chapters that follow are dedicated to a laundry list of McKinsey's relationships with US Immigration and Customs Enforcement (ICE); the Chinese, Saudi Arabian, and South African governments; the tobacco, opioid, and coal industries; the financial services industry before the global financial crisis; dodgy insurance companies; Enron before its spectacular collapse; and Britain's National Health Service. All those stories cannot be covered in a review of this length, but what follows are a few snippets of McKinsey's motives as seen by Bogdanich and Forsythe.



When McKinsey Comes to Town: The Hidden Influence of the World's Most Powerful Consulting Firm

By Walt Bogdanich and Michael Forsythe

368 pp.; Anchor Books, 2023

ICE / Tactics applied by ICE in collecting and deporting immigrants have drawn criticism across the spectrum of policy experts. In the waning days of the Obama presidency, the agency awarded a contract "worth more than $20 million" to McKinsey, and the Trump administration "awarded dozens of consulting contracts across the landscape of government agencies, producing millions of dollars in revenue for" McKinsey.

The authors make the case that McKinsey is a consulting firm that has only bottom-line profits in mind when it enters consulting engagements.

After a 2019 *New York Times* article made public McKinsey's work for ICE and another article gave specifics about the consultancy's recommended budget cuts to "food, medical care and supervision of detainees," an uproar ensued both within and outside the firm. McKinsey downplayed its involvement in ICE policies, noting the scope of work was limited to "administrative and organizational issues.… We don't do policy, we do execution." Pete Buttigieg, a McKinsey alumnus and then an aspiring Democratic presidential candidate building up to his surprise showing in the 2020 Iowa caucuses, called the firm's work "disgusting."

The authors run through a range of areas where the firm consulted: "McKinsey had success at ICE doing what it does best—cutting costs." They also chronicle an internal town hall meeting where McKinsey staff aired their own grievances. One staffer developed a "jaundiced view of the firm he had so enthusiastically joined, buoyed by the promise from recruiters that he would be 'uniquely positioned to do something that does on occasion help move society forward.'"

Foreign governments / Bogdanich and Forsythe dedicate separate chapters to McKinsey's work with China, South Africa, and Saudi Arabia.

The work with China included a heavy concentration in 96 state-owned "central enterprises," *zhongyang qiye*, that are so vital to the country's national security and economic growth that decision-making is concentrated in the Beijing government with enterprise leadership chosen by the Communist Party Organization Department. According to the authors, "McKinsey has advised at least twenty-six" of the central enterprises and they provide a case study for the hiring of McKinsey to advise China Communications Construction Company, "a relic of the days of Chairman Mao," that directs "massive government resources into favored industries." The authors also raise the question of whether McKinsey's work with a Chinese company that "builds islands in disputed waters" conflicts with McKinsey's work with the Pentagon. Notwithstanding recent deterioration in the relationship between Beijing and Washington after the ascendancy of Xi Jinping, McKinsey's work continues unabated, "business as usual."

McKinsey's cash-cow client in South Africa was the state-owned power company, Eskom, which had difficulty maintaining reliable power. According to Bogdanich and Forsythe, "If all went well, McKinsey stood to collect more money from Eskom than virtually any other company in the world, with a potential value of $700 million." Notwithstanding the lucrative work, the optics were awful: "a predominantly white firm seeking that amount of money without competitive bidding from an impoverished government." The early work on the contract revealed one disaster after another: poor communications with South Africa's Treasury, questions about the legality of the McKinsey contract, subcontractor due diligence and quality issues, and cases of clear potential conflicts of interest. Just six months into a three-year contract, Eskom terminated the arrangement, citing irregularities. A series of investigations ensued.

The story of McKinsey's work in the Middle East started with an office in Dubai in the 1990s, when Saudi rulers wanted to "replicate the success of Dubai, then emerging as a multicultural global transport and financial center." By 2009, a Riyadh office was up and running and working for Saudi Binladin Group, founded by the father of Osama bin Laden and Aramco, the state-owned oil company. By 2016, two projects had developed into 137, leading some to apply the moniker "the Ministry of McKinsey" to the Saudi Planning Ministry. Meanwhile, Mohammed bin Salman (MBS) was gaining political power: "MBS was ruthless.... [He would] silence his perceived enemies."

One major McKinsey project was focused on "weaning the kingdom off its dependence on oil," which envisioned "a $4 trillion investment splurge in areas such as mining, tourism and finance." The authors summarize the result of the firm's handiwork: "McKinsey was helping ensure the viability of a brutal, authoritarian regime." The reader is then told of McKinsey work focused on how Saudi citizens were reacting to government policies. The follow-up by the Saudi government was a surveillance program conducted on citizens like Omar Abdulaziz, who McKinsey fingered as "highly influential in shaping the public's opinion" based on his tweets on government policy that put the Kingdom in a negative light. While under this surveillance, Abdulaziz would later communicate with Jamal Khashoggi, a prominent Saudi journalist. Khashoggi was later murdered, and American intelligence agencies determined that MBS was behind the murder.

Conclusion / This book is chock full of details on each of the topics, based on painstaking research. The authors make the case that McKinsey is a consulting firm that has only its bottom-line profits in mind when it enters consulting engagements.

For the reader expecting an epilogue pulling together the book's concepts, with discussions of how McKinsey is worse than other firms, there will be disappointment. The unwinding of the full book narrative takes less than two full pages. The problem with not giving a wider perspective of all consulting firms is that the presented narrative is too narrow.

My experience with government-focused consulting firms in the Washington, DC, area is that they are mostly of the "Beltway bandit" variety. They rely on governments (foreign and domestic) for an outsized share of their consulting income, with ever-present pressure to bring in new government clients and, when those clients are in the door, to maximize revenue from each one. These firms don't apply a particular ideology to the type of work they pursue (as the authors would prefer), but rather they focus solely on keeping the revenue flowing. Whether it be consulting government agencies about nation-building in Afghanistan and Iraq (which dragged on for decades) or the work cited by the authors for ICE and other foreign governments, the incentives are set by governments and the firms are just responding. *R*

The Middle Ages' Contribution to Liberty

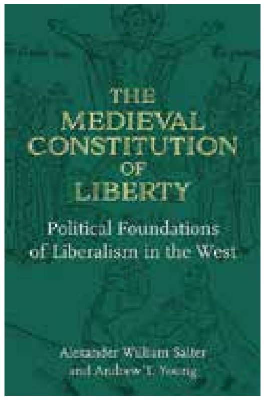
REVIEW BY PIERRE LEMIEUX

The Middle Ages seem mysterious. The period from the fall of Rome in the 5th century through the 15th century is often—or used to be, anyway—referred to as the Dark Ages. Yet, this period was followed by the Renaissance, the Early Modern period and, in the 18th and 19th century, the Enlightenment, the Industrial Revolution, and (to borrow from Deirdre McCloskey) the "Great Enrichment." There must have been something in the Middle Ages that was not antithetical to the birth of modernity.

Another enigma, at least from a classical liberal or libertarian perspective, is that the modern, centralized state started growing in the West just after the Late Middle Ages (14th–15th centuries). Is it possible that this powerful state was a condition for the fast economic growth that characterized the Great Enrichment, as claims the so-called "state capacity" theory? If so, this would have weighty consequences for both evaluating the Middle Ages and understanding the modern world.

In their book *The Medieval Constitution of Liberty*, Texas Tech University economists Alexander William Salter and Andrew T. Young address these broad questions. They believe that "the most important event for social science to explain is the Great Enrichment" and that the High Middle Ages (11th–13th centuries) developed the necessary conditions for the political and economic liberty that ultimately produced Western exceptionalism—that is, classical liberalism and economic growth.

In the authors' economic jargon, a constitution is "the structure of political property right"—that is, it determines who are the individuals recognized as having the right to govern and in which areas of social life. To understand the written or (as in the Middle Ages) unwritten constitution of a governing apparatus, we need to inquire about the social and economic institutions that guide the behavior of individuals. Institutions represent "the humanly devised constraints that structure the incentives people face and the information they have at their disposal." This definition is useful except for the "humanly devised," which could be seen as excluding evolved institutions—which the authors explicitly don't want to imply.



The Medieval Constitution of Liberty: Political Foundations of Liberalism in the West

By Alexander William Salter and Andrew T. Young

310 pp.; University of Michigan Press, 2023

"Medieval constitution of liberty" invokes Friedrich Hayek's 1960 book *The Constitution of Liberty*, which explored the political constitution and institutions of a free society. This does not mean, of course, that the Middle Ages represent a model of individual liberty—far from it—but our authors persuasively argue that many institutions of that era provided the conditions for the later development of classical liberalism.

Polycentric sovereignty / The great benefit of medieval times was the decentralization of power. Around the year 1000, power was so fragmented that French sociologist and historian Jean Baechler wrote, "*The expansion of capitalism owes its origins and its raison d'être to political anarchy*" (his emphasis). In the 13th century, the invading Mongol hordes were stopped by the "intense armed fragmentation" of Western Europe, where stone castles and fortified cities had to be conquered one at a time and "there was no central government to offer surrender" (quoting Walter Scheidel's 2019 book *Escape from Rome*; see "Let's Travel That Road Again," Spring 2020).

This fragmentation of political power, where power checked power, seduced a political thinker like Bertrand de Jouvenel. (See his 1945 book *On Power*, *Du Pouvoir* in the original French.) The armed capacity of the landed nobility to resist kings' ambitions may have been what Anthony de Jasay had in mind when he suggested that only "private force" can constrain the state—although he thought that the liberal 19th century was the peak of human civilization. (On de Jasay, see "A Conservative Anarchist? Anthony de Jasay, 1925–2019," Spring 2019.)

"Polycentric sovereignty" is Salter and Young's expression to describe the ideal type or model of the decentralized medieval constitution. Its three main constitutive elements were sovereignty, "residual claimancy" (sic), and hierarchical structure of governance. They define sovereignty as power that its holder can enforce and that becomes self-enforcing. Residual claimancy refers to the capacity of a political power holder to be the "residual claimant" (a term borrowed from the economic analysis of private production) of any enrichment that does not immediately flow to the governed. This participation in social enrichment implies that the power holder (the owner of the political rights) has an incentive to improve his flock's prosperity—because, for example, his tax revenues or rents will increase. This analysis was previously developed by the late economist Mancur Olson. As for the hierarchical structure of governance, it describes different levels of government that are in competition with, and check, each other.

The feudal system recognized cascading and overlapping jurisdictions. Lords offered protection to vassals in exchange for the latter's services and various contributions. The system comprised the king and the pyramid of noble lords, but also the Church, which exercised some lordship on land. In England, "royal, ecclesiastical, and merchant courts" were available. Kings were under the spiritual authority of the pope and so were their vassals. Lay lords also provided security to bishops and high-ranking clergy. Salter and Young find that the system "resembled what is today known as a federal system of governance."

The Church was a power in itself. At the end of the 10th century, it started the Peace of God movement to control the armed conflicts that followed the end of Carolingian rule, the proliferation of "banal" lords (sorts of "roving bandits," to use Olson's terminology), the fuzziness of jurisdictional boundaries, and "the encastellation of the Western European landscape." Salter and Young note, however, that the level of "feudal anarchy" violence is contested. "The Peace movement," they write, "was key to redefining and stabilizing a polycentric structure of governance in Western Europe that would come to characterize the High Middle Ages."

With only spiritual power and no army of its own, the Church (the First Estate) often won conflicts with nobles (the Second Estate) and even with monarchs. The Third Estate was made of burghers, the residents of cities. Kings needed the consent of the estates, especially to levy unusual taxes.

Besides checking power, another benefit of polycentricity was to allow "greater access to local knowledge" as well as exit options. The latter were limited, of course, especially for the villeins (serfs). Yet a serf could be liberated from his lord if he could "make it to a city and reside there for a year and a day" or if he cleared forest land for cultivation.

From this decentralized system incorporating many divergent interests, Salter and Young claim, a generality norm à la James Buchanan developed. Good governance, defined as "that which furthers general rather than special interests," was thereby promoted. I would emphasize, perhaps a bit more than Salter and Young, that what we now call individual and equal liberty was only in gestation.

Why Western Europe? / Why did traditions of liberty arise in Western Europe instead of elsewhere, like Asia? Salter and Young note that Western Europe "was not exceptional for most of recorded history." The Great Divergence of economic growth between Europe and the rest of the world only became obvious in the 18th and 19th centuries and was certainly not the consequence of colonialism. It is without colonies that Sweden and Austria—and we can add Switzerland, Canada, and the United States—rapidly joined European growth, spearheaded by the United Kingdom and the Netherlands.

Like economic historian Joel Mokyr, Salter and Young recognize the importance of the institutional environment for European growth. (See "From the Republic of Letters to the Great Enrichment," Summer 2018.) The authors of *The Medieval Constitution of Liberty* examine two other major institutions related to polycentric sovereignty: the medieval assemblies and the self-governing cities.

They argue that medieval assemblies were often characterized by mixed representation and were thus "more resistant to the absolutist ambitions of monarchs than those with estate-based chambers." They compare France, where assemblies were organized around particular estates, and England, where they tended to be based on local representation. In the latter country, local assemblies had played a role ever since the fall of Rome. Later, Great Councils advising the monarch, renamed Parliaments by the end of the 13th century, had regional representation; in the 1330s, they became a House of Lords and a House of Commons.

Are Salter and Young tempted to exaggerate the role of medieval assemblies? I can't say, but there seems to be no doubt that the self-governing cities that emerged in the Middle Ages played a major role in the development of liberty. They sprang from "merchant caravans that settled outside fortified towns in the eleventh and twelfth centuries." Burghers, the cities' inhabitants, were eventually able to "leverage their wealth and human capital to strike constitutional bargains by playing monarchs, nobles, and clergy off one another. The results of these bargains were various immunities, liberties, and rights codified in cities' charters." Merchants, the most important of burghers (others were artisans and laborers), "developed a commercial code (*jus mercatorum*) for themselves." Medieval cities became a center of (relative) liberty. A legal maxim circulating in Europe was that "the city air makes you free." In cities, literacy increased, self-governing universities appeared, and new ideas were discussed.

To support prosperity, state capacity must be limited by the rule of law and a market economy. The state must be constrained in the use of its capacity.

State capacity / The medieval constitution did not survive long after the High Middle Ages, notably because of the shocks of the 14th century. The Black Death, a plague or viral epidemic, ravaged Europe between 1347 and 1351. Depending on the region, it killed between one-eighth and two-thirds of the population. Another shock was the siege cannon, which produced economies of scale in coercion and eliminated the relative advantage of fortified places. Centralized nation-states rose with "state capacity" for producing what we would now call public goods.

State-capacity scholars believe that the privatization of political authority in the High Middle Ages prevented state centralization and the building of useful state capacity, notably for supporting economic growth. They point to the correlation between high taxes and high economic growth since the Industrial Revolution. (See "A Shackled Leviathan That Keeps Roaming and Growing," Fall 2021, and "A Fashionable Appeal to a Benevolent State," Winter 2023–2024.) An example of the perverse effects of decentralized medieval institutions can be found in the guilds, which limited innovation and competition among artisans, and existed from the 11th to the 18th century. Local tolls offer another example. Only the modern central state, goes the argument, was able to abolish these obstacles to the Great Enrichment. Salter and Young consider the state capacity argument "a significant challenge," which they endeavor to meet.

The state capacity explanation for economic development has been challenged by several scholars such as Peter Boettke, Roselino Candela, Vincent Geloso, Ennio Piano, and Salter and Young themselves. Strong states can be predatory as much as producers of public goods. Historically, state capacity has generally stifled economic development; we only need to think about imperial China or, in recent times, North Korea or the Soviet Union. To support prosperity, state capacity must be limited by the rule of law and a market economy. The state must be constrained in the use of its capacity. Western countries' march toward the Great Enrichment suggests that something must have prevented state capacity from becoming predatory. Salter and Young argue that this something "was the set of background constraints bequeathed by the constitutional heritage of medieval Europe."

Thus, we cannot explain "the bounty of modernity" without the conditions that existed in the High Middle Ages. "The rise of the West must be viewed not as an escape from the High Middle Ages," the authors write, "but a continuation of the proto-liberal traditions that solidified in the High Middle Ages."

A useful book / Salter and Young's book confirms that capitalism or, more generally, individual liberty is the daughter of anarchy or, at least, of polycentric and limited political power. Let's repeat that the Middle Ages were not perfect and mankind had to wait for 19th century classical liberalism to have a glimpse at the bounty that individual liberty can produce.

The Medieval Constitution of Liberty intelligently addresses issues that are essential to understand the development of individual liberty. It provides interesting information on the Middle Ages. And it suggests a healthy skepticism toward the "state capacity" intellectual fad. *R*

Working Papers BY PETER VAN DOREN

A SUMMARY OF RECENT PAPERS THAT MAY BE OF INTEREST TO *REGULATION*'S READERS.

Universal Basic Income

■ **Vivalt, Eva, Elizabeth Rhodes, Alexander W. Bartik, et al., 2024, "The Employment Effects of a Guaranteed Income: Experimental Evidence from Two U.S. States," NBER Working Paper no. 32719, July.**

US federal government transfers to the poor discourage work. Effective tax rates (actual tax rates plus decreased benefits) are about 50 percent for married recipients with children living at the Federal Poverty Level (FPL), according to a March 2019 Health and Human Services study. An ironic manifestation of the problem: Washington, DC, has a program to replace federal benefit reductions resulting from high effective tax rates.

For those who dislike the work disincentives of existing social welfare programs, the answer is a Universal Basic Income (UBI). The benefits would not be means tested. Instead, all recipients (plans vary as to whether recipients are all residents, all adults, or just children) would receive a monthly check that would not vary by the market income of the recipient.

The largest randomized trial of UBI has just been completed in the Dallas and Chicago urbanized regions, and this paper discusses the results. The sample population was people ages 21–40 whose total household income did not exceed 300 percent of the Federal Poverty Level in 2019. A thousand individuals randomized into the treatment group received $1,000 per month for three years, while 2,000 participants randomized to the control group received $50 per month. Participants reported an average household income of about $29,900 in 2019, so the experimental group transfers increased household income by 40 percent.

What happened to labor market behavior in the experiment? Those receiving the $1,000 payment were less employed than the controls (72 percent vs. 74 percent) and worked 1.3 fewer hours per week. For every dollar received in UBI payments, total household income excluding the transfers fell by at least 21¢, and total individual income fell by at least 12¢. People worked less and consumed more leisure.

The authors put the following social science spin on the results: "While decreased labor market participation is generally characterized negatively, policymakers should take into account the fact that recipients have demonstrated—by their own choices—that time away from work is something they prize highly."

OIRA Regulatory Review

■ **Hemel, Daniel J., 2024, "Redistributive Regulations and Deadweight Loss," SSRN Working Paper no. 4627139, May.**

In November 2023, the Office of Information and Regulatory Affairs (OIRA), a branch of the Office of Management and Budget, issued a revised Circular A-4 on how agencies that propose significant new regulations should evaluate their costs and benefits. The circular was last revised in September 2003.

The Fall 2023 issue of *Regulation* contained a Special Section evaluating potential changes to Circular A-4, including the introduction of equity considerations. Traditional regulatory cost–benefit analysis ignores equity effects, holding those matters are better addressed through explicit tax-and-transfer programs.

New York University law professor Daniel Hemel argues in this paper that an essential component of the economic analysis of tax-and-transfer programs is the efficiency costs (the negative effects on additional work and savings, i.e., deadweight losses) from taxation. If redistributive benefits of regulation are now to be considered in OIRA analyses, Hemel argues, the costs (the regulatory analogy of deadweight losses) also must be considered. This is particularly true because Circular A-4 instructs agencies to evaluate the benefits of redistribution using a statistic that values increased consumption for the poor very highly. A 40 percent decrease in the consumption of the rich is valued only as 14 percent as costly as the 40 percent increase in consumption of the poor. Hemel concludes, "Agencies should acknowledge that redistribution is rarely costless, and a full benefit–cost analysis cannot consider the benefits of redistribution while ignoring the costs."

Deposit Insurance and Uninsured Depositors

■ **Ohlrogge, Michael, 2024, "Why Have Uninsured Depositors Become De Facto Insured?" SSRN Working Paper no. 4624095, May.**

In 2023, three of the four largest commercial bank failures in US history occurred. But uninsured depositors took no losses in any of the failures. Since 2008, uninsured depositors have experienced losses in only 6 percent of US bank failures. The Deposit Insurance Fund has accrued costs of $131 billion, yet total losses of uninsured depositors have been only $190 million.

From 1992 to 2007, Federal Deposit Insurance Corporation resolution costs of failed banks averaged 10 percent of failed bank assets. From 2008 to 2022, when uninsured depositor rescues became ubiquitous, average FDIC resolution costs were 18.2 percent of failed bank assets, an extra $45 billion in additional resolution expenses. Only about $4 billion was transferred to uninsured depositors. The remaining $41 billion was compensation to banks that acquired the failed banks.

In this paper, New York University law professor Michael Ohlrogge argues that Congress should specify that bids for failed banks only include offers for the insured deposits of banks, plus whatever portion of a bank's assets (loans) a bidder wishes to acquire. After a winning bidder has been determined, the winner could then determine whether it wishes to use its own money to fully compensate uninsured depositors. In this way, if compensating uninsured depositors does indeed preserve enough franchise value to make the cost worthwhile, then the winning bidder can take that action. But the FDIC would not be able to preferentially choose bids simply because they will make uninsured depositors whole.

Property Taxes

■ **Schleicher, David, 2024, "Your House is Worth More Than They Think: The Strange Case of Property Tax Assessment Regressivity," SSRN Working Paper no. 4838224, May.**

Yale law professor David Schleicher (who co-authored an article on zoning in the Fall 2015 issue of *Regulation*) has written an interesting review of recent literature about the property tax. Within jurisdictions, relatively expensive properties are underassessed relative to the prices for which they are actually sold, and relatively inexpensive properties are overassessed. Homes in the bottom decile of prices—i.e., the cheapest 10 percent of houses—face an effective tax rate that is more than double what homes in the top decile pay in the same jurisdiction. He coins the phrase Property Tax Assessment Regressivity (PTAR) to describe this phenomenon.

What should we make of PTAR? In the first 15 pages of the paper, Schleicher provides a concise review of the political economy scholarship on property taxes and zoning. In the 1970s, Johns Hopkins University economist Bruce Hamilton argued that zoning turns the property tax into something like a per-capita "head tax," a price mobile residents pay to buy government services. If local governmental assessment practices declare that inexpensive properties are worth more for tax purposes than they actually are, and that expensive properties are worth less for tax purposes than they actually are, property taxes become more like a head tax even if zoning and other land use tools alone do not completely eliminate intra-jurisdictional changes in housing prices.

Nineteenth century political economist Henry George argued that a tax on land value (rather than buildings) was an efficient tax because it could not be avoided and thus was also like a head tax. If PTAR is caused by a failure of assessors to consider the increased value generated by improvements, it would make the property tax more Georgist. But the empirical literature finds that PTAR is driven by underrating how much the value of a property depends on its neighborhood and block. The tools assessors use to control for neighborhood are too crude to capture block-to-block differences in access to amenities that affect prices. To the extent this is correct, assessors do not adequately assess land and overassess improvements. Thus, PTAR likely makes the property tax less Georgist.

The ownership of a particular home in a particular place is exactly the opposite of diversifying one's wealth. Dartmouth economist William Fischel argues NIMBYism arises because of the lack of housing wealth diversification and the lack of a market for home value insurance. Schleicher defines insurance in this context as property taxes and assessments rising and falling with real property values. PTAR implies this relationship is attenuated. PTAR reduces the insurance benefits of the property tax.

Schleicher considers PTAR reform. An important insight is that the redistribution of wealth created by more accurate assessments would make multifamily housing more contentious because those units' property taxes per resident would be lower for the same public services. Under PTAR,

> jurisdictions avoid engaging in redistribution from existing residents even if new construction of denser housing leads to a decline in per capita property values. Removing this fiction would create greater pressure among residents inclined to stop redistribution to do so the old-fashioned way—by keeping poorer people out of the jurisdiction entirely. The costs of limiting housing construction on the broader economy are extremely large. So too are the costs of residential segregation by income. One may wish this were not the case—I wish it were not the case!—but if ending PTAR means more NIMBYism, less housing construction, and more segregation, it might be very harmful.