IN REVIEW

Political Teams and Voter Preferences

REVIEW BY ART CARDEN

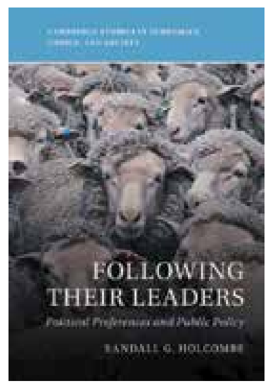
The political process is often explained as voters having policy preferences and political entrepreneurs crafting policies to appeal to those preferences in order to win elections. But where do voters' policy preferences come from? In Randall Holcombe's recent book *Following Their Leaders*, the distinguished Florida State economist, former Public Choice Society president, and student of 1986 Nobel laureate James M. Buchanan makes the case that people form their preferences by *following* their elite political leaders.

Common good? / Early in the book, Holcombe explains the economics of politics in a way that will be familiar to political scientists and public choice economists but might be revelatory to outsiders. According to public choice theory, democratic outcomes tend to be unstable, and cycles back and forth between different policies become much more likely as the policy space expands. When a lot of voters with diverse preferences face a lot of options, no option is majority-proof; you can make any alternative lose a majority rule election just by changing the voting rule. That is, there is no rank order of policy preferences for *electorates* as opposed to individuals. Accordingly, and in contrast to traditional public economics, which sought to craft supposedly optimal policies to be implemented by disinterested philosopher-kings, public choice takes a more realistic view of politicians and the polity. After all, they're only human.

Political institutions reward those who crave power or are at least willing to use it. As University of Chicago economist Frank Knight explained in 1938, "The probability of the people in power being individuals who would dislike the possession and exercise of power is on a level with the probability that an extremely tender-hearted person would get the job of whipping-master on a slave plantation." To complicate matters further, there is no such thing as "the public good" independent of the preferences of those who form the polity.

But wait, there's more: The direction of causation runs from party identity to policy preferences rather than vice versa. Voters adopt specific policy preferences because they are progressives, conservatives, liberals, or libertarians; they do not choose their identity because of their preferences. From this perspective, voting is much more likely to be expressive than substantive, and it has more in common with cheering on one's team (and jeering its opponent) at a football game than making decisions at a grocery store. Holcombe's argument that people form their preferences by following elites on "their side" suggests the football game analogy is even more apt: People are not just expressing themselves emotionally when cheering in the stands; they're forming what will become essential parts of themselves by learning the songs, chants, and lore surrounding their team.

People form their political attachments like they form their athletic, artistic, and musical attachments. The most politically active are "hooligans," to use Georgetown University philosopher Jason Brennan's term from his 2015 book *Against Democracy*. Joseph Schumpeter's characterization, "The typical citizen drops down to a lower level of mental performance as soon as he enters the political field," is apt. Rather than being armed with preferences they seek to satisfy politically, they are ripe to have their preferences formed by political entrepreneurs.



Following Their Leaders: Political Preferences and Public Policy

By Randall G. Holcombe

200 pp.; Cambridge University Press, 2023

Charitable voters / Campaigns, Holcombe argues, tend to be "devoid of specific policy suggestions." The facts are much less consistent with the hypothesis that people vote instrumentally (to get policies they understand and want) and much more consistent with the hypothesis that people vote expressively for reasons that may be only loosely connected with policies' actual likely effects.

Building on work by Gordon Tullock, Holcombe explains a seeming curiosity: People appear to be much more "charitable" and "generous" when they get into the voting booth than in most other

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contexts. The reasoning is straightforward: Because an individual vote will not affect the outcome of an election, one can behave "charitably" and enjoy the warm glow that comes with feeling like he has done something to help the less fortunate even though the vote will not affect whether something gets done. Furthermore, the beneficiaries may not be the people who need charity; consider the economic status of red-teamers sailing in "boat parades" and blue-teamers who receive federal forgiveness for their college loans.

Anti-Israel rallies on college campuses since the October 2023 Hamas massacre are broadly consistent with Holcombe's analysis. Large crowds of passionate, keffiyeh-wearing college students gathered on college campuses to chant, "From the river to the sea, Palestine will be free," even though many of them could not name the referenced river and sea. Likewise, in early 2021, protestors chanted "Stop the steal" as they tried to intimidate federal lawmakers into ignoring the outcome of a lawful election. It all calls to mind the *Veep* scene where Selina Meyer gets her supporters to switch from chanting "Count every vote!" to "Stop counting the votes!" after she realizes the uncounted votes favor her opponent.

Such activism gives us a front-row seat to top-down, elite-driven preference formation happening in real time. Elites, Holcombe argues, are positioned to control narratives: "Are demonstrations in the streets peaceful protests or civil unrest?" One group of my Facebook friends says one thing, another group says something else.

The state did not come about because people got together and agreed to submit to mutual coercion to provide public goods and then spread the message to other groups that joined them. It came about by conquest and bloodshed and needs to be understood in that context. Holcombe describes the truly revolutionary Enlightenment idea that governments should serve their people rather than the other way around. But merely espousing this view is insufficient to instantiate it, and what Holcombe argues about top-down preference formation is broadly consistent with what we know and understand about states, their origins, and their actions. Our preferences, Holcombe argues, tend to follow our "leaders," which is "consistent with the endowment effect, the bandwagon effect, and attempts to minimize cognitive dissonance" much more than the thesis that we have preexisting preferences politicians seek to satisfy.

Holcombe's argument will benefit from the deeper empirical research it will no doubt inspire. As a matter of public policy, he buttresses earlier arguments about why constitutional constraints matter and why price-and-profit-mediated market decisions are superior to vote-and-violence-mediated political decisions. With yet another contentious election now behind us, it's an argument worth taking seriously. R

From Raiders to Traders

REVIEW BY THOMAS GRENNES

The Vikings are commonly portrayed as violent maritime raiders. Is this consistent with historical facts or a caricature? University of Uppsala (Sweden) archaeologist Neil Price has spent decades trying to answer this question, and offers his conclusions in two recent books, 2020's magisterial *Children of Ash and Elm* and 2023's more compact *The Vikings*, written with Ben Raffield. The books are fascinating for anyone who loves history, but they should be of special interest to economists.

Price provides extensive data indicating that in the early years of the Viking Age, they used their advantages in shipbuilding, navigation, and weapons to become successful raiders in distant lands. And, as they traveled to the Far East and Far West over more than 300 years, they learned the advantages of cooperating with the peoples of those distant lands, who had different goods to offer. In voluntary exchange, if each party offers something the other desires and is willing to pay for, both parties benefit. As the Vikings learned that trade is collectively more beneficial than fighting, their interactions with others evolved from raiding to trading.

How does Price's history differ from the many earlier works on the Vikings? For one, he is an archeologist, not a historian, and draws on the latest archeological evidence. This is important because the Vikings did not write histories about themselves. They used runic symbols, but they did not develop an alphabet for writing. The first written records of the Vikings were done by Christians such as Icelander Snorri Sturluson. These early writings include the Icelandic Sagas, many of which began as oral traditions and were not written down until centuries after the events they describe. Price warns about the bias that Sturluson and other Christian writers had toward the Vikings and their polytheistic religion, but he does not completely reject their work. Further, he finds important consistencies between archaeological findings and the Sagas.

Chronology / The traditional period historians use for the Viking Age is 793–1066 AD. Those end points mark, respectively, the Viking raid on the Lindisfarne Monastery that was the beginning of Viking raids in England, and the defeat and death of Viking king Harald Sigurdsson Hardrada at the Battle of Stamford Bridge.

Price argues those two end points are too rigid to delineate the Viking era, and that the extent of Viking influence

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on different parts of the world varied by region. For example, the old Norse religion persisted in some locations long after Iceland's official adoption of Christianity in the year 1,000. (Strictly speaking, Norsemen were the people with a shared culture who lived in Scandinavia during the Viking Age, while Vikings were the warrior members of that group.) In addition, to this day the Christian calendar reflects Norse influence, with days dedicated to Thor (Thursday) and Odin (Wednesday, for Wodin's Day).

The rise of the Vikings was facilitated by the decline of the Carolingian Empire in Charlemagne's later years and following his death. It was also made possible by a climate disaster that may have reduced the population in Scandinavia by 50 percent around 547. New elites became local kings in Scandinavia after violent battles. Those elites claimed genealogical descent from Odin, Freya, and other Norse gods. To demonstrate their success, they constructed elaborate halls surrounded by important villages, which have become rich sources of archeological data. For example, Uppsala (meaning "higher halls") contained useful historical information, including burial mounds.

Push, pull, and trade / According to Price, both "push" and "pull" (supply and demand) factors contributed to the distant travels and raids of the Vikings. Push factors included major innovations in shipbuilding and navigation, and the introduction of improved sails to replace oars. Scandinavian shipping coincided with the rise of the regional *emporia*, that is, trading settlements. Pull factors from their travels included the discovery of wealth in distant lands that would become profitable targets for raids. Since trade cannot occur without security for traders' property, the evolution toward trade required providing security for traders. As Price observes in *Children*, "A market wholly without guards would not last long."

Early Viking *emporia* included Ribe and Hedeby in Denmark and Birka in Sweden. Vikings first traded in these relatively secure settlements before launching long-distance raids to the East and West. Applying the military skills of raiders to protect traders made raiding and trading complementary. Price mentions ceremonial congregations of people at Uppsala, near Birka, that functioned as something akin to religious practice but focused on commerce. These assemblies (called "Pings" or "Things") evolved into representative government that limited the powers of leaders. Price observes that the subsequent rise in regional and international trade was not imposed from above by elites but was supplied in response to people's demand.

According to Price, both "push" and "pull" factors—supply and demand—contributed to the distant travels and raids of the Vikings.

The East / Travel to both the East and West covered huge distances and faced many obstacles, both natural and human. To the East, the Vikings followed the Baltic Sea toward what is now Narva, Estonia. From the Baltic Sea and the Gulf of Finland, they followed the Neva River to what is now Staraja Ladoga, where the Volkhov River discharges into Lake Ladoga. From there they took a network of rivers, including required portages, to Kiev on the Dnieper River, then followed the Dnieper south to the Black Sea and eventually to Byzantium (modern Istanbul).

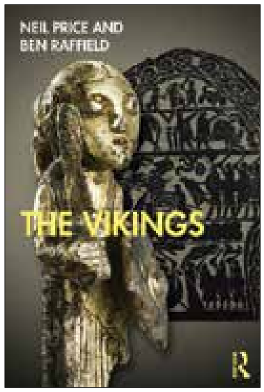
Vikings, also called Rus, arrived on the Eastern Baltic about 860 and imposed a tribute system on indigenous Slavs. Viking chieftain Rurik occupied an island off what is now Novgorod. Because of local violence, Slavs invited Rurik and the Rus to bring order to their land.

In the area around modern Kiev, the Vikings were called the Kievan Rus, and the term "Rus" was the basis of the modern name for Russia, according to Price. (It should be noted the origin of the name "Russia" has been hotly debated and very politicized, especially in the old Soviet Union.) Some of the Kievan Rus employed their military skills to become mercenaries who guarded the Byzantine emperors around 950–1050. They were called Varangian Guards, from the Old Norse term *var* that meant "vow" or "oath." One of the most famous Varangian Guards was the aforementioned Harald Sigurdsson Hardrada, who later became king of Norway and sought to become king of England until he met his fate at Stamford Bridge. According to Price, many of the Kievan Rus became effectively "policemen on the Dnieper River."

In Istanbul today, the Hagia Sofia is a museum containing runic inscriptions from the Viking days, when the imperial family was protected by Varangian Guards. Built in the 6th century as an Orthodox Basilica, it was converted into a mosque when Muslims took over the city.

The West / Normandy was an early Western destination. Viking attacks on the River Seine were so common that at some point near Paris one could cross the river by walking from one ship to another. In 911, the Frankish King Charles the Simple offered the Viking Rollo (Hrolfr) land along the Seine if he could restore order and prevent future raids. The arrangement has been described as employing poachers to act as gamekeepers. The province took the name "Normandy" after the Norsemen, and it retains that name today, more than 1,000 years later.

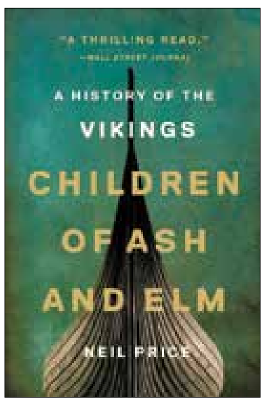
Viking attacks on England began at Lindisfarne. Olaf Tryggvason, descendant of Harald Fairhair, who spent his youth in exile in Kievan Rus, successfully extracted extortion payments called *Danegeld* from the English. Later, Olaf became king of Norway, but in 999 he was killed in battle



The Vikings

By Neil Price and Ben Raffield

240 pp.; Routledge, 2023



Children of Ash and Elm: A History of the Vikings

By Neil Price

624 pp.; Basic Books, 2020

against a triumvirate of rivals that included Svein Forkbeard, who ascended to the throne. Olaf II Haraldsson, later honored as St. Olaf, led a famous attack on England in 1014 that is commemorated in the nursery rhyme "London Bridge Is Falling Down." Erik Bloodaxe was another Viking raider of England who became king of Northumbria. He was the king of Norway for 932–934, and he was one of many sons of Harald Fairhair.

The Viking period in England ended with the defeat at Stamford Bridge. But the English were not then free of Viking-connected invaders; just 19 days later, William, Duke of Normandy and a descendant of Rollo, later dubbed William the Conqueror, invaded England. He won the Battle of Hastings on October 14, 1066, killed the English king Harald Godwinson, and became the first Norman king of England.

In Ireland, the Vikings founded Dublin in 841, and they continued west to the Faeroe Islands and Iceland. Eric the Red, who was exiled for killing a man, sailed westward, where he discovered Greenland in the 980s. Later he was part of a group that discovered North America circa 1,000. The Viking site at L'Anse aux Meadows in Newfoundland was not rediscovered until the 1960s, when Norwegian archeologists found and excavated the site. The Vikings did not leave a permanent settlement there, but they did discover what would later be called America more than 500 years before Columbus.

At home / The Vikings influenced the regions they visited, but they were also influenced by the institutions of those regions. Around 960, Harald Bluetooth, king of Demark, was baptized into Christianity. There was a resistance to the new religion, and Harald was killed in 987 as part of a reaction against abandoning the old pagan religion. However, after a lag, Christianity came to dominate the entire region. The church and the king developed a symbiotic relationship in which the church provided legitimacy to the king and royalty, and the king provided power and property to the church. As Price writes in *Children*, the region became "ruled by one king with one god upheld by the same administrative and political foundations that supported their Christian contemporaries in Europe."

The Vikings' legacy is quite different in the West than in the East. In the West, they evolved from raiding to trading, prefacing the future politics of Western Europe, the United States, and Canada. Today, Western economies are grounded in voluntary trade, their national governments protect the property rights of traders, and the governments are limited democracies in which checks and balances constrain the leaders. In the East, however, the Viking and their subordinates continued to favor raiding and coercion over voluntary trade. Today, the regions' autocracies are more like low-income countries in Sub-Saharan Africa and South Asia, where 2022 gross domestic product per capita (adjusted for purchasing power parity) were $4,309 and $7,824 respectively. Russia's recent invasion of Ukraine reflects this fundamental difference in institutions and policies.

Slaves, women / Price's *Children* has a chapter on the slave trade, an important coercive Viking activity. Some Viking men had multiple wives and mistresses, which made it difficult for the remaining men to find female partners. Price mentions this imbalance in numbers of men and eligible women as a possible influence on the slave trade. For example, DNA evidence indicates that most of the men who immigrated to Iceland were Norwegian, but most of the women were from the British Isles.

Men fathering children with multiple women (wives, concubines, slaves) resulted in competition among sons, including violent competition between fathers and sons and between half-brothers. For example, King Harald Fairhair was said to have fathered sons with multiple women, and one son, Svein Forkbeard, led a revolt that killed his father. Who succeeds to the throne? How is inherited wealth distributed? Competition among half-brothers sometimes led mothers to hide their sons in remote locations to protect them from rivals. According to an apocryphal story, one king said he deliberately fathered children with different women all over the country to unify the country.

Children also describes the role of women in Viking society. Price emphasizes that they managed entire households, especially during the times when men were on long journeys. In addition to giving birth and caring for children and feeding families, women played a major role in providing textiles in various forms. They cared for sheep, obtained and processed the wool, converted it to cloth, and made clothes for the family. For the maritime Vikings, women made sails for the ships and, if they had spare time, decorative wall-hangings such as the famed Bayeux Tapestry. As an aside, Price informs the reader that, at meals, everyone carried a pocketknife for eating, including children.

Today's descendants / What is the legacy of the Vikings? Price does not discuss current conditions in Scandinavia, but those countries are among the most prosperous in the world in terms of the World Bank's measure of gross domestic product per capita. Their evolution from raiding to trading that included development of limited democratic governments is certainly conducive to economic success. If a skeptical reader is wondering whether the prosperity of Scandinavian countries might be attributable to their northern latitudes, one might ask why Russia did not gain from its northern location as well.

In 2022, Norway had the largest per capita GDP (adjusted for PPP) in the world ($121,259). It did benefit from inheriting large deposits of energy beneath its soil, but so did Russia, Nigeria, Venezuela, and other low-income countries that have failed to convert their energy endowments into prosperity. The United States had a per capita GDP of $76,330, and the other Scandinavian countries were just above or below that number: Denmark ($77,954), Iceland ($71,840), Sweden ($68,178), and Nordic neighbor Finland ($62,823). The incomes per capita of all these Nordic countries were above the averages for the European Union ($57,286) and far above the world as a whole ($20,846).

All these Nordic countries had GDPs per capita far above their Eastern raiding and autocratic neighbors Russia ($34,638) and Belarus ($22,551). Russia remains one of the poorest countries in Europe, and its dominance was harmful to the Baltic States, whose GDPs per capita had been similar to Russia at the time of their independence in 1995. After a transition period, the independent Baltic economies surged, and by 2023 their incomes per capita were all substantially above Russia: Lithuania ($50,969), Estonia ($48,168), and Latvia ($41,625).

Have the descendants of the Vikings achieved prosperity by sacrificing freedom? Certainly not. The 2023 edition of the Human Freedom Index, assembled by the Cato Institute and Fraser Institute, covers 165 countries and ranks Denmark third, Sweden fifth, Iceland seventh, Finland ninth, and Norway 10th. Freedom today in the Nordic countries may have been a legacy of the assemblies that dated back to the Viking Age.

Switzerland ranked first and the United States 17th. By contrast, Russia ranked 121st and Belarus 133rd. The tradition of coercive institutions with autocratic rulers contributed to both poverty and the lack of freedom for the average citizens of Russia and Belarus.

Conclusion / So, should we think of the Vikings as raiders or traders? Price and Raffield conclude in *The Vikings* that "we should never ignore or suppress the brutal realities behind the clichés, the carnage of the raids, the slaving, the misogyny, but there was much, much, more to the Vikings."

In the three centuries when they were active, the Vikings evolved from raiding to trading in a way that other Western countries followed much later. A conclusion of *The Vikings* is that "the legacies of the Viking-Age Scandinavians' extraordinary run on the world stage still echo today." But the effects of their evolution have been much greater on Western countries than on Russia and the East, where despotic rulers continue to lead their countries in raids on neighbors. R

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Stiglitz's Dissatisfaction

REVIEW BY PHIL R. MURRAY

What kind of economic system is most conducive to a good society? According to Columbia University economist and 2001 Nobel laureate Joseph Stiglitz, it's not capitalism, or "neoliberalism" as he calls it, as he explains in his new book *The Road to Freedom*. Readers of *Regulation*, many of whom fall in the neoliberal camp, will find much in the book to disagree with, beginning with his claim that "neoliberal ideology runs deep in society." Still, it's worthwhile to hear him out.

Here are some of Stiglitz's observations on US capitalist society, many of which we can appreciate to some degree: If you're traveling, your flight often departs late, and the airline loses your bag. Your cell phone costs a lot, and the reception is poor. Healthcare costs a lot, but life expectancy is low relative to other rich countries. Corporations have delivered such plagues as opioids, cigarettes, junk food, and fossil fuels. Retailers are unhappy to be open on Sundays. Consumers lack options. "It boggles the mind," he writes, "that anyone who lives under twenty-first-century capitalism, let alone reads about the myriad abuses, can believe in unfettered markets or the inevitable efficiency of 'free' enterprise."

But life under capitalism isn't as bleak as he describes. Although late departures and lost bags frustrate airline passengers, millions fly every day. Phone service can't be too expensive given that almost everyone has a phone and quality is quite good, especially in the United States. (See "No 'Cozy Triopoly,'" Summer 2024.) Healthcare is costly, but quality has improved considerably over time and continues to do so. Cigarettes and junk food are unhealthy, but they provide benefits to consumers who buy them. Fossil fuels produce carbon dioxide, but driving beats walking. Chick-fil-A closes on Sundays despite its competitors being open. And some of us find product *variety* overwhelming.

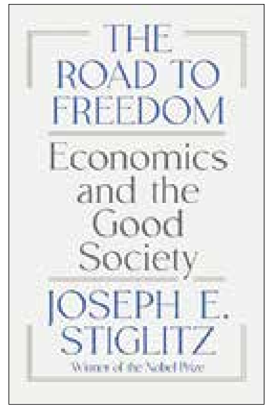
Externalities / So what is Stiglitz on about? Take the following as an introduction to his economics:

One person's freedom is another person's unfreedom. Externalities are pervasive, and the management of these externalities—including environmental devastation—that are inevitably the direct by-products of unfettered markets requires public actions, including regulations.

Readers who think of freedom as voluntariness will bristle at this zero-sum view of freedom. But Stiglitz is not alone in this perspective. He quotes Isaiah Berlin, "Freedom for the wolves has often meant death to the sheep." Using this view, I suppose a person's freedom from slavery is the slave owner's unfreedom to enslave people. Or a citizen's freedom from military conscription is the government official's unfreedom to conscript him. The author goes this far: "Freedom for the gun owners has often meant death to schoolchildren and adults killed in mass shootings."

Believing that one person's freedom comes at the expense of another's is troublesome. The author does not discuss free trade in this context. But if he did, would he argue that permitting domestic buyers to buy from foreign sellers reduces the freedom of domestic sellers? He might, because he likens freedom to income. He states, "Someone with very limited income has little freedom to choose." In this way, if free trade lowers the incomes of domestic sellers, they are less free. But voluntary trade is peaceful and wealth enhancing. In contrast, protectionism is neither and seems a lot like legal theft.

Stiglitz aims to convince us that freedom entails tradeoffs. He itches to correct omnipresent externalities. Take the Tragedy of the Commons: One cattle owner's freedom to graze his cows conflicts with another's. Stiglitz recognizes economist Ronald Coase's "privatization solution": property rights may be assigned in a way that benefits both the landowner and the owners of cattle. But he rejects it on grounds of impracticality and because, during the UK enclosure period, English and Scottish cattle owners were not compensated. He grants Coase's reply that assigning property rights differently might have achieved a better outcome but dismisses that as "largely irrelevant." He prefers regulation consistent with the case studies documented by economist Elinor Ostrom. "Historical research in the UK," he reports, "shows that in fact much of the common land was actually well regulated, as communities themselves adopted restrictions to prevent overgrazing."



The Road to Freedom: Economics and the Good Society

By Joseph E. Stiglitz

356 pp.; W.W. Norton & Company, 2024

His approach to externalities involves "a package of policies, including regulations, prices, and public investments." He recalls the "yellow vests protests" in France during 2018: The French government imposed a fuel tax to reduce carbon dioxide emissions. The tax would raise the price of fuel, reduce its consumption, and reduce carbon emissions. But millions protested and demanded repeal of the tax. According to Stiglitz, the French government would have been better off putting more money into "public transport" and "subsidies to the most affected groups." He does not mention the regulations he would have added.

Public goods / The political "Right" is Stiglitz's bugbear. In his view, its members don't understand that freedom is zero-sum. They also don't understand that government spending, necessarily financed by taxes, produces tremendous benefits. Finally, they don't appreciate that government intervention makes us freer.

The author ties these three ostensible failures of understanding together in his chapter on public goods. He gives many examples of public goods: national defense, healthcare, basic research, etc. The free rider problem is why taxes are necessary to finance government spending on public goods, he argues. "Even if only some are free riders," he maintains, "there will be an under-provision, to the detriment of all."

Stiglitz attempts to overcome resistance to coercion by first considering the problem parents face when planning a vacation. Because work and school schedules conflict, a family might not be able to take a vacation. The author endorses the French approach: "Everyone gets August off." He presumably thinks that French citizens who would prefer a winter vacation are better off because they would not actually be able to arrange one.

A reader is supposed to see that a little coercion is an effective lever. For instance, a prohibition on price gouging benefits all but the price gouger. Coercive taxes that finance unemployment benefits and welfare payments, as well as regulations on bank behavior, produce macroeconomic stability. Stiglitz tells us, "A little coercion could result in an increase in global societal well-being." He intends to coerce us to provide a public good high on his list of priorities: reducing climate change. He does not tell us—at least in this section—which specific coercive measures he recommends for achieving this. He cites the Montreal Protocol as international coercion done right. If my understanding is correct, nations that adopted the protocol agreed to ban ozone-layer-damaging chlorofluorocarbons to avoid trade restrictions. Stiglitz summarizes, "Coercion expanded freedom—the freedom, for instance, not to get skin cancer."

This view that coercion is beneficial is problematic. For example, it is unclear whether going on vacation in August is French government policy or a popular decision made by the masses. Nevertheless, one wonders whether there are unintended consequences. Are hotels and restaurants adequately staffed in August? Is there costly excess capacity in the hospitality industry in other months? As for prohibiting price gouging, does Stiglitz forget that price ceilings cause shortages? His willingness to coerce his fellow citizens might be tempered by imagining how people with different values might coerce him.

Redistribution / Income inequality has always existed everywhere. Stiglitz considers it extreme in today's United States and counts it as a market failure. The policies that he proposes to reduce income inequality are redistribution, government spending on healthcare and education, and "pre-redistribution." The minimum wage is an example of the last. The author knows what critics of redistributing income would say:

> The libertarian claims that her income is hers, that she has, in some sense, a moral right to it. She further claims that, as a result, there shouldn't be redistributive taxation even in the face of huge societal inequalities and gaping public needs.

The libertarian critic is incorrect, Stiglitz argues, because she does not deserve the income she earns in the market. Perhaps she earns income from inherited wealth, much of which was accumulated by exploiting others. Besides, wealthy people influence markets, which renders incomes earned in the market unfair. The author suggests that the family of Bernard Arnault, CEO of the luxury goods giant LVMH, does not deserve their wealth because Arnault sells luxuries to wealthy people. Stiglitz seemingly cannot find one legitimately wealthy individual. Therefore, all incomes "lack moral legitimacy."

One wonders how far this illegitimacy goes. If Arnault's family doesn't deserve to be wealthy from selling luxury goods to rich people, would Sam Walton's family deserve to be wealthy from selling ordinary goods to ordinary people? What about an Uber driver who works twice as much and earns twice as much as another Uber driver? Stiglitz is confident he can adjust tax rates and justly redistribute income from behind the veil of ignorance to create a better society.

Hedges and errors / There are qualifications to the progressive message. Despite emphasizing that "one person's freedom is another's unfreedom," Stiglitz proclaims, "We are not in a zero-sum world." Despite his faith in regulations, he admits, "Simply writing a law stating something doesn't change the reality of the world." He concedes, "Prices provide a coordinating mechanism; it works, but works imperfectly." People who appreciate markets will be glad to encounter this line: "Our economic system has to be decentralized, with a multiplicity of economic units—many enterprises and other entities (of different kinds) making decisions about what to do and how to do it."

Stiglitz's willingness to coerce his fellow citizens might be tempered by imagining how people with different values might coerce him.

There are a few errors and questionable interpretations. Stiglitz writes, "Hourly earnings of autoworkers declined by 17.1 percent between January 1990 and December 2018, a period in which prices doubled, implying real wages had gone down by two-thirds." In fact, the source he cites reports that *real wages* fell by 17 percent. He defines pi as "the ratio of the circumference of a circle to its radius."

Some questionable interpretations relate to corporate behavior. "While there is no evidence of explicit collusion" among oil industry executives following the war in Ukraine, Stiglitz alleges "there seems to have been tacit collusion." Yet, the price of a barrel of West Texas Intermediate *fell* from $92 in February 2022 to $79 in May 2024, and the Fed's index of crude oil production was 15 percent higher in May 2024 than it was at the start of the war. If oil industry executives are colluding to keep production low and the price high, they are failing.

The author grumbles about market power in general and in the airline industry in particular. However, while the overall Consumer Price Index is up 21 percent since before the pandemic, the CPI for airline fares is down 5 percent. Sellers exercise market power, but it is not necessarily exploitation. Consumers receive goods in return for their money and sometimes benefit from lower prices.

Other questionable interpretations relate to history. Consider these contentious lines:

> The call for a return to liberalism with the new name neoliberalism, in the middle of the last century, flew in the face of what had happened during the Great Depression. It was akin to Hitler's Big Lie.

That is not a charitable view of neoclassical economists. There is more: "America's economy was built on enslaved labor, hardly a manifestation of a free market." Ignoring questions about the first part of that sentence, isn't the last part a *virtue* of the free market?

Conclusion / The author's idea of a "good society" is sensible: one that "allows individuals to flourish and live up to their potential." According to Stiglitz, the economic system most conducive to the good society is "progressive capitalism." The features of his progressive capitalism are dispersed power, reduced inequality, collective action, "shaping individuals," a "learning society," and a "rich ecology of institutions." The author provides a table showing market failures and progressive capitalism policies: government spending, transfer payments, and regulations. We'll know society is good when the United States looks like "the Scandinavian welfare state."

"The changing nature of our society and economy," Stiglitz claims, "requires more government intervention and investment today than in the past, and accordingly, higher taxes and more regulation." Yet total government expenditures (which include transfer payments) have risen from 27 percent of gross domestic product in 1960 to 35 percent today. Over the same period, the page totals published in the *Federal Register* have risen from 14,479 to 90,402. We would seem to be headed the direction Stiglitz wants, so why is he so dissatisfied? *R*

Taxes Matter in Many Mainly Bad Ways

REVIEW BY DAVID R. HENDERSON

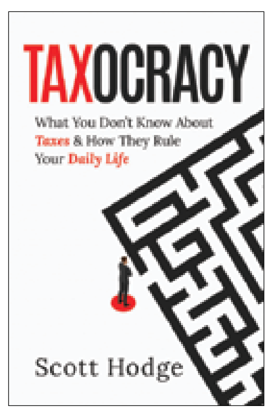
Did you know that (as of this writing) 75 percent of the overall burden of US tariffs is on apparel? Or that of this burden, 66 percent is on women's apparel? It's not just because women buy more clothing than men; it's also because the US government purposely sets tariff rates higher on women's clothing (15.1 percent) than on men's clothing (11.9 percent.) That's one of many interesting nuggets you'll find in Scott Hodge's important new book *Taxocracy*.

Before I read the book, I knew a lot about the US tax system. Now I know much, much more. From 2000 to 2022, Hodge was president and CEO of the Tax Foundation, based in Washington, DC. You don't have to read much of that foundation's work to suspect that the professionals who work there are not big fans of taxation; you also don't need to read much to realize that they know their subject and report it honestly. Hodge's book is in that tradition. He considers the many ways that taxes distort our behavior and make us worse off, not just because they take our money but also because of deadweight loss—the loss of consumer and producer gains because exchange is forgone as a result of the higher prices resulting from taxes.

Dip into any chapter and you'll learn something important, often horrifying, and—less often—amusing about the tax system. It affects, for example, what form our earnings take, how much and how we save, which items we buy, and how producers adjust their products to reduce the taxes they (and we) pay for their products. Read almost any page of *Taxocracy* and the odds are high that, in the words of Pocahontas, you'll learn things you never knew you never knew.

Sin taxes / Consider so-called sin taxes, taxes that governments impose on items that some government officials and some voters disapprove of. Any economist can tell you that such taxes will alter people's behavior. Hodge goes further and shows how specific sin taxes have done that. He notes, for example, that hard seltzer—carbonated water containing alcohol—is "one of the fastest-growing beverage classes in the US." Why? Because the taxes on brewed beverages are much lower than the taxes on distilled spirits. Hard seltzers are brewed? Yes. Hodge explains that producers have figured out how to brew sugar to create their products.

Consider Norway's high tax on sugar, which, writes Hodge, "has created a booming candy business … in Sweden." Or, closer to home, New York, whose high taxes on cigarettes have led to over 50 percent of cigarettes smoked in the state coming from smugglers.



Taxocracy: What You Don't Know About Taxes and How They Rule Your Daily Life

By Scott Hodge

336 pp.; Post Hill Press, 2024

Chicken tax / In 1964, President Lyndon Johnson retaliated against a tax imposed by France's and West Germany's governments on chicken exported from the United States. LBJ imposed a 25 percent tariff on light trucks, thereby punishing then-popular truck exports from those countries, while keeping the tax on passenger vehicles at a modest 2.5 percent. The tariff on trucks was supposed to be temporary. Sixty years later, the tax, dubbed the "Chicken tax," still exists.

Foreign truck producers have responded very creatively. Hodge notes a number of adjustments. Subaru, for example, installed seats in the bed of its BRAT pickup truck, resulting in its being classified a passenger vehicle. Mercedes-Benz Group (previously Daimler and DaimlerChrysler) shipped its foreign-made Sprinter delivery vans to the United States in pieces and then reassembled them in South Carolina, rebadging them as Dodge and Freightliner. Ford continued building its Transit Connect vans in Turkey but added cheap seats and windows to qualify the vans as passenger vehicles before exporting them to the United States. Once the vans arrived, Ford ripped out the seats and replaced the windows with panels. Unfortunately, Ford lost a court case over the practice and had to pay over $1 billion in penalties. I say "unfortunately" because when companies figure out a way to avoid tariffs and other taxes, not only those companies, but also consumers, gain.

Foreign truck producers have responded to the high tariff by producing many of their trucks in the United States. Presumably, it's more costly for those companies to produce here, which is why they weren't doing so before, but the net result for consumers is a lower overall price than if the companies produced abroad and consumers paid the tariff.

On this issue, though, Hodge makes an uncharacteristic mistake. He points out, correctly, that US fuel economy standards for light trucks, which are less onerous than for cars, push Americans to buy more trucks, including SUVs and minivans, than otherwise. So far, so good. But then he writes, "As a result [of both fuel economy standards and the 25 percent tariff], light trucks (pickups, SUVs, and minivans) now outsell cars by three to one." The fuel economy standards certainly push Americans in that direction. But the 25 percent tariff makes light trucks *more expensive* than otherwise, making the push less than if the truck tariff were set at the same 2.5 percent rate as the tariff on cars.

Tariff engineering / One of the best parts of the book, and most informative to me, is Hodge's discussion of what he calls "tariff engineering." The idea is that in response to US tariffs, producers in other countries change their products just enough to get those products into a lower tariff category. One example is shoes versus bedroom slippers. For some reason, the tariff rate on shoes is higher than the rate on bedroom slippers. Converse, which manufactures its shoes overseas, adds a light felt to the soles of its tennis shoes, allowing them to be categorized as slippers. The ultimate buyer finds that the fuzzy bottom wears off quickly. So, both seller and buyer gain, but they do so because of the differential taxes on imports. Without those taxes (tariffs), they would gain even more. Hodge explains in a footnote that this all came about because of tariffs imposed by President Donald Trump.

In response to US tariffs, producers in other countries will change their products just enough to get those products into a lower tariff category.

Taxes, health insurance, and pets / One issue that most US health economists are familiar with is the historical origin of employer-provided health insurance. Hodge tells the story. During World War II, employers who were constrained by economy-wide government wage controls got around them by adding health insurance to employees' compensation. The Internal Revenue Service decided not to tax this in-kind payment compensation and the 1954 tax law made the tax exemption part of the law. As I pointed out in my 2001 book *The Joy of Freedom: An Economist's Odyssey*, from the 1950s to 1980, rising marginal federal and state income tax rates for most people, along with rising Social Security tax rates, put most people in higher tax brackets. So, payment in the form of health insurance became more and more attractive for employers and employees. As a result, notes Hodge, patients often have less say about their healthcare than doctors and insurance companies. To some extent, patients are like pets sitting "quietly while the doctor and the owner negotiate over the cost and quality of the care."

Hodge gives an example of the difference between competitive responses when the patient rather than the insurance company pays for health care. One December, when he went to his doctor for treatment of his flu, she prescribed some medicine, Hodge paid the $25 co-pay, and he never saw the bill. The next month, January, he was still sick and went back to his clinic. Meanwhile, his employer had switched to a policy with a health savings account (HSA) and a high deductible. When he told the doctor that he would be paying with his HSA debit card, her attitude changed. She admitted that under the previous low-deductible insurance, she would have ordered a number of tests without even consulting him. But instead, she gave him options and prices and let him choose. Hodge writes, "In one month, I went from being a pet to [being] a patient."

CTC / One of the most data-intensive parts of *Taxocracy* is Hodge's discussion of the Child Tax Credit (CTC), which Republicans and Democrats in Congress have pushed to increase in recent years. Hodge notes many problems with the CTC, including but not limited to the following:

- overpayments (based on fraud and errors) that average 14 percent of total payments,
- little good effect on economic growth because the tax credits, being tax credits, don't reduce marginal tax rates, and
- turning the IRS into a benefits agency, leaving less room for employees to give tax information to callers.

On the second point, notes Hodge, cutting individual income tax rates would produce four times the economic growth that the CTC produces and cutting corporate tax rates would produce five times the growth.

Corporate taxation / Taxocracy lays out in grisly detail the complications of the corporate income tax. One is separate depreciation schedules for various forms of corporate capital. All the schedules ignore the fact that future inflation, at even a modest rate of 2 percent, means that the corporation can never deduct the full cost of an investment. Only expensing that investment—letting the corporation deduct it in the year it makes the investment—can do that. Hodges, quite naturally, advocates expensing.

There are many more complications, too numerous to discuss here. And corporate taxes matter for economic growth. Referencing a 2008 report from the Organisation for Economic Co-operate and Development (OECD), Hodge writes, "**Corporate income taxes** were found to be *the* most harmful taxes for economic growth because capital is the most mobile factor in the economy and, thus, the most sensitive to high tax rates" (bold and italics in original).

Cost of compliance / One of the most striking numbers in the book is Hodge's estimate of the cost of complying with the federal estate tax. Based on paperwork data that the federal government's Office of Information and Regulatory Affairs reported, in 2022, that was $18 billion. His footnote indicates that this estimate is based on the over 300 million hours spent filling out forms. That means that the $18 billion is an *under*-estimate because people don't simply fill out forms, they also change their investments and their gifts to make the estate tax less onerous than otherwise. And how much did the federal government expect to raise in 2021 in estate and gift taxes? A comparable $27 billion. Now *that's* what I call an inefficient tax.

Conclusion / Hodge covers much more than I've highlighted here. He notes, for example, the many ways we can reduce current taxes to save for our retirement. While I find such ways easy to understand, the reason is that I've been following them for 40 years and I am an economist. But many people would have more trouble understanding.

To handle that issue and many others, Hodge advocates a radical restructuring of our tax system to make it more like that of Estonia. Estonia's whole tax law is only 88 pages long; there's a flat 20 percent tax rate on individual and corporate income, and a Value-Added Tax (VAT) of 20 percent. One result is that Estonian businesses spend about five hours per year complying with taxes, versus 87 hours per year for US firms.

Whether or not we move in Estonia's direction, those who care about tax policy could easily use *Taxocracy* as a handbook for simplifying and improving our tax systems. R

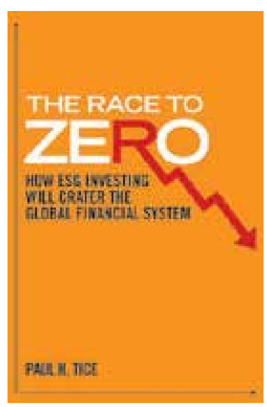
Battling ESG

REVIEW BY THOMAS A. HEMPHILL

ESG investing—investing in firms whose operations exhibit certain environmental, social, and corporate governance values—has become trendy over the last two decades. In his recent book *The Race to Zero*, Paul Tice writes critically of this "sustainable investing" movement, warning that ESG factors are increasingly driving firm policies and investment decisions in the global economy, and not traditional objective financial metrics and economic returns. Tice has the professional bona fides to make these criticisms; he is a 40-year veteran of the financial services industry (predominately in the energy sector), has taught at New York University's Stern School of Business, and has published opinion pieces in the *Wall Street Journal*, *New York Post*, and *The Hill*.

His book is not for the faint-hearted. It is technical in nature, utilizing extensive referenced data sources. He opens the book by explaining sustainability theory, discusses climate change, and describes the role the United Nations has played in promoting ESG in the financial sector. Tice explains how a sort of social control network has sprung up under the ESG banner, describes questionable ESG metrics and claims of its returns on investment, criticizes how it uses children and adolescents as "climate warriors" to influence the operations of financial institutions, and discusses how fiduciary duty is being reconfigured to incorporate ESG principles. He concludes the book with a chapter that offers what he cynically describes as ESG's "race to zero."

Stakeholder theory / Tice argues that "stakeholder capitalism" is a complimentary management theory of modern enterprise that undergirds the sustainability theory that makes up the "environmental" component (and primary focus) of ESG. Stakeholder capitalism argues that companies must serve all stakeholders—including employees, suppliers, customers, the state, and society at large—in contrast to the traditional shareholder model of the corporation. By extension, "society-at-large" (a catch-all phrase often found in definitions of stakeholder theory) brings legitimacy to the concept of "sustainability," the idea that economic activities should be transformed so they can continue forever, avoiding "global warming and man-made climate change." This idea underlies the book's title, that human activity should have a "net zero" effect on the planet.



The Race to Zero: How ESG Investing Will Crater the Global Financial System

By Paul H. Tice

304 pp.; Encounter Books, 2023

Milton Friedman recognized the "social responsibility" approach, i.e., the stakeholder approach, as a "fundamentally subversive doctrine" that would "thoroughly undermine the very foundations of our free society." To reinforce Friedman's perspective, Tice quotes Klaus Schwab, the founder of the World Economic Forum and supporter of the stakeholder capitalism model: "The wider economy, the state, and society expect that the company will contribute to the improvement of public well-being."

In the spirit of Friedman, this reviewer argues that corporations, with their non-democratically elected CEOs and boards of directors, should not be substituting their decision-making for democratically elected representatives who are making public policy decisions for their constituency, and who are directly *accountable* to this electorate. These private sector organizations lack recognized legal authority and can be arguably accused of exercising authoritarian economic and political power with which they have not been formally vested.

Tice makes a cogent case against today's widespread public embrace of ESG principles directly influencing investor financial and executive decision-making. What he has done—and better than anyone else up to now—is translate how the sustainability movement has gradually infiltrated the Wall Street investor mindset over the last two decades. He not only challenges the data and models supporting a correlation between manmade factors and climate change, but more importantly, he cogently explains the contrast between consensus established financial performance metrics versus academic and investment research based on amorphous and ever-changing ESG metrics encompassing a variety of ratings and scores. As Tice notes:

> While ESG facilitators are making money, most investors are being pushed into the sustainability trade by moral arm-twisting rather than being motivated by the opportunity for attractive returns. By the time accounts realize that they have been duped, the regulators will have made sure that all of the exits are blocked and no one will be allowed to leave.

Tice excels at explaining how what started as ostensibly voluntary ESG principles and guidelines espoused by the United Nations—the Principles for Responsible Investment (PRI), established in 2006—have evolved into a prescriptive effort at sustainable finance in 2015, involving both climate change metrics and sustainable development goals. Likewise, the World Economic Forum has taken a lead role in championing the conversion from a fossil fuel–based to a "green energy" global economy, embracing various dates for the planet to achieve degrees of "fossil free" energy in the years 2030 to 2050. In conjunction with environmental and social justice groups, media efforts by these progressive nonprofits have successfully moved what were at one time voluntary ESG principles to required corporate orthodoxy by many US and Western companies and Wall Street financial institutions. US regulators, such as the Securities and Exchange Commission, recently introduced a legal requirement for ESG principles to be actively included in corporate policies and disclosure documents, as well as investment decisions. European governments are leading global sustainability policy through their active support of the 2015 Paris Agreement on climate change.

2030 exit plan / Tice recognizes that the ultimate goal of ESG advocates is to impose capital controls on financial markets, which would eventually deprive funding to companies mainly in the heavy industry sector of the US economy. This capital control would begin with oil and gas, leading to a scarcity of industrial and agricultural goods, higher transportation costs, unreliable electricity grids, and significantly increased prices for most goods (and services) that American consumers demand. Similar efforts in Europe have already produced dramatic energy price increases for European consumers. If America is not to follow Europe's lead by 2030, Tice argues that "what is required now, first and foremost, is greater situational awareness on the part of the financial industry." Moreover, he advocates for an anti-ESG movement in the United States to take a comprehensive political approach (his "exit plan") to dismantling the climate change bureaucracy undergirding the ESG regulatory machine.

Specifically, Tice argues that the ESG resistance movement should adopt the same tactics that progressives have employed to achieve their environmental and social policy goals: exploiting the US judicial system to leverage the regulatory state. By "venue shopping" in the federal court system, anti-ESG plaintiffs successfully challenging federal regulations would return them to the legislature, effectively rendering them moot given the divided and dysfunctional nature of the US Congress. Tice's "template" for a successful ESG regulatory pushback strategy is found in the US Supreme Court's 2022 decision in *West Virginia v. US Environmental Protection Agency*, where the Court ruled 6–3 that the EPA did not have the authority to issue the 2015 Clean Power Plan (CPP) in the absence of clear congressional authority. Republican "red state" plaintiffs should now focus on the EPA's 2009 Endangerment Finding, which labeled carbon dioxide a pollutant and provided legal justification for agency follow-on carbon regulations.

Tice writes that Republican state governors should also revisit the respective public utility portfolio standards, which require that an ever-increasing percentage of electricity generation come from renewable sources such as wind and solar, and have driven the power sector away from coal and natural gas (as well as nuclear) over the past two decades. The next elected Republican president should formally submit the Paris Agreement to the US Senate for approval. Because a treaty requires two-thirds supermajority approval to pass the Senate, this would effectively kill the agreement while establishing a legal precedent that would be difficult to reverse. Republican state attorneys general should also challenge the recently finalized Securities and Exchange Commission climate-focused ESG disclosure rules, arguing that, as with the EPA's CPP rulemaking, these rules are not meant to simply improve disclosure and protect investors from fraud and deceptive practices, but rather are designed to influence major economic and political change by shifting capital from fossil fuel producers to green energy companies. The final ESG-related regulation to be legally challenged would be the Biden Labor Department rule allowing pension fund trustees under the Employment Retirement Income Security Act to consider climate and other ESG factors when reviewing risk and returns.

In addition, once economic injury can be proven, Tice argues that state complainants should bring a cause of action under existing federal antitrust law against those companies, banks, and investment firms that are now working in concert with ESG activists and enablers (and through membership groups) to shut down the oil and gas industry. Moreover, the anti-ESG movement should zero in on the banking sector to ensure a free flow of bank credit to fossil fuel companies, with state plaintiffs overlaying any antitrust action against specific boycotting banks that announce oil and gas lending bans. Legal actions should also be trained on third-party actors, including international nongovernmental organizations and nonprofit actors that have been applying ESG pressure to financial markets. Lastly, because the oil and gas industry is the prime target of climate change/sustainability activists, the energy sector should establish the corporate example for ESG resistance by speaking out more vocally against climate change policy.

Conclusion / It cannot be understated how important this book is as an accessible, clarion call for the financial sector (and its customers) to recognize this "equivalency" among all stakeholders of the corporation and its projected long-term societal effects. The primacy of the corporation as an *economic organization* has been refocused to that of being "everything to everyone." As Tice notes, this evolutionary change will eventually have cataclysmic consequences for the global financial system and its downstream customers.

While sometimes requiring a "cheat sheet" for acronym translation, the book is well written, focused, and provides a logical narrative that keeps a knowledgeable reader engaged. This reviewer notes that, as a professor in the strategic management field, the use of the "stakeholder management" concept is useful from a descriptive and instrumental perspective, but is not convincing from a normative perspective.

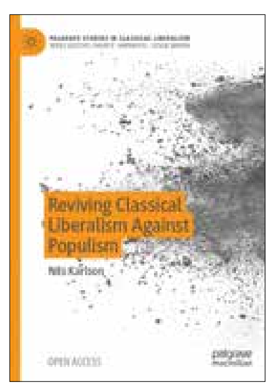
Tice's ESG exit plan currently shows signs of being implemented. As a result of the Supreme Court's 2023 affirmative action decision, a group of Republican state attorneys general wrote a letter to *Fortune* 500 companies warning them against race-based preferences in hiring and promotions. *The Wall Street Journal* found in its analysis that dozens of corporations altered descriptions of diversity, equity, and inclusion initiatives in their 2023 annual reports. In addition, the Committee to Unleash Prosperity, which tracks major firms' records on shareholder votes in its recent report ("Putting Politics Over Pensions"), found that support for ESG resolutions dropped 25 percent in 2023 from 2022, including a 30 percent reduction among the 25 most active fund families. Will that trend continue? R

Understanding and Responding to Populism

REVIEW BY ART CARDEN

Humanity's greatest advancement was the emergence of liberal, open society. I, for one, would like to think that every country in the world is embracing liberal, free-market democracy as described in Francis Fukuyama's 1992 book *End of History*. (See "Fukuyama: Interesting Books, With Some Baggage," Fall 2022.) Alas, that is not the case. From Russia to China to Europe to the United States, we now see a rising tide of illiberalism.

Nils Karlson's *Reviving Classical Liberalism Against Populism*, a part of the Palgrave Studies in Classical Liberalism series, seeks to explain why humanity is tempted to exchange liberalism for populism, why that's bad, why we're doing it anyway, and show us how to change course. Karlson, the founder and CEO of Sweden's Ratio Institute, sets himself an ambitious task for this short book.



Reviving Classical Liberalism Against Populism
By Nils Karlson
133 pp.; Palgrave–Macmillan, 2023

Populist dynamic / Karlson's theory is that populism recurs because ambitious politicians discover that the politics of resentment is a good way to build coalitions and win elections (or wars). Populism is superficially appealing because people are tribal; they seek a "mutual sympathy of sentiments" with high-status members of their tribes rather than logical and moral consistency across tribes. There are few human qualities as universal as the temptation to blame outsiders for one's tribe's problems.

Left-wing and right-wing populists develop the politics of resentment by identifying "the people" (the good guys), "the elite" (bad guys), "the others" (more bad guys), and key themes. A left-wing populist narrative, for example, might tell an anti-capitalist story (key theme) about how out-of-touch neoliberals (the elite) are exploiting the working class (the people) on behalf of big business (the others). A right-wing populist narrative might tell a nationalist story (key theme) about how academics (the elite) are betraying "native" citizens (the people) and embracing migrants (the others).

Karlson lays out different permutations of this dynamic in a table early in the book. It occurs to me that it wouldn't be that hard to create a ChatGPT (or *Mad Libs*) of the table to generate different versions of the us-versus-them story suitable for publications ranging from *Jacobin* and *Mother Jones* to the *Claremont Review* and *American Conservative*.

Populism is a winning formula for aspiring autocrats. Karlson outlines this using a "12-step program" borrowed from Larry Diamond's 2019 book *Ill Winds:*

1. Demonize the opposition as illegitimate and unpatriotic.
2. Undermine the independence of the courts.
3. Attack the independence of the media.
4. Gain control of public broadcasting.
5. Impose strict control of the internet.
6. Subdue other elements of civil society.
7. Intimidate the business community.
8. Enrich a new class of crony capitalists.
9. Assert political control over the civil service and the security apparatus.
10. Gerrymander electoral districts and rig electoral rules.
11. Gain control of the body that runs the elections.
12. Repeat steps 1–11.

It is a mistake to think populists are anti-democratic. As Karlson explains, "Populists are … usually not against electoral democracy per se, but rather at odds with liberal democracy." They tend to be "ultra-majoritarian," he writes, seeing constitutional constraints not as checks and balances that safeguard essential liberties and systems but as obstacles to the *volonte general* (general will) devised and implemented by sinister interests.

Why don't people learn and avoid falling prey to populism? One reason is that populists shift the blame for their failures onto those who try to clean up the messes populist governments make—for example, international organizations like the International Monetary Fund. We have seen this from the populist left several times: the New Deal and the Bretton Woods System, for example, did not fail because they were structurally unsound but because (in the left's telling) sinister interests dismantled them.

Karlson traces the modern manifestations of populism to the development of critical theory, a truth-rejecting mode of inquiry rooted in the works of Jean-Jacques Rousseau, Friedrich Nietzsche, Martin Heidegger, and Carl Schmitt. Critical theory combines the politics of resentment with a hermeneutic of suspicion to create an interpretive framework that has elevated the ad hominem attack from a logical fallacy to a sophisticated method. Where "liberals want the state to be neutral with respect to the good: the interpretation and exploration of what a good life entails are up to the individual, not the state," populists and other anti-liberals claim to know how everyone else should live and have no qualms about enlisting the state on behalf of their righteous vision.

Liberal response / So, what should liberals do? *Reviving Classical Liberalism Against Populism* is more than an academic inquiry; Karlson seeks to rally the troops and devotes his final few chapters to this strategy:

- Expose the populist strategies and their consequences.
- Defend and develop liberal institutions.
- Embrace and promote the liberal spirit.
- Develop liberal statecraft.

"Rational arguments," he explains, "and institutional improvements will not be enough." Classical liberalism excels in appealing to *logos*, meaning it is cerebral and abstract rather than emotional and vivid. It does not articulate a *specific* vision of what a liberal society will look like because we don't know exactly what free people will figure out and want to do. That isn't persuasive enough to voters in a democracy. So, classical liberals must do a better job communicating with *pathos* and *ethos*, appealing to voters' sentiments and norms.

Karlson gave a presentation on the book (and his other work) at the 2024 Public Choice Society conference. The framework he develops has much explanatory potential, particularly if scholars bring it into conversation with Douglass North's 2005 *Understanding the Process of Economic Change* and Ed Lopez and Wayne Leighton's 2012 *Madmen, Intellectuals, and Academic Scribblers*. I expect this book to affect how Phil Magness, Ilia Murtazashvili, and I approach W.H. Hutt's post-constitutional political economy in a book we are working on.

Like many Springer and Palgrave–Macmillan titles, Karlson's book could have benefited from more careful copyediting. (For instance, the 12-step program I outlined above is misnumbered in the book.) Still, overall, it is a clear and easy read that will leave the attentive reader with a lot of answers to the "What do we do now?" question.

Unfortunately, autocracy is on the rise. Whether we take the left fork or the right, populist paths lead to serfdom. Books like *Reviving Classical Liberalism Against Populism* help us understand why and what we can do about it.

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