



BOOK REVIEWS

***The Darwin Economy: Liberty, Competition, and the Common Good*, by Robert H. Frank. Princeton, N.J.: Princeton University Press, 2012. ISBN: 978-0691156682**

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It is wrong to hurt others for your own benefit just because you can, but people who do it are being rational. So what should we think of wealthy individuals, for instance, who want society managed so they can trade up from a Mercedes to a Maybach, even though the roads they drive on will be more and more potholed and congested, and even though when all their friends have Maybachs, they're no happier? Not many of them will read Robert Frank's *Darwin's Economy*, but he has lowered his lance at those whose actions are comparably damaging as well as the community of polemicists who enable this kind of behavior.

Frank points out countless ways in which life in the marketplace is destructive of the commonweal. The argument in this book is launched with a going-to-hell-in-a-handbasket tour of a society mindlessly rending its own flesh in a dozen different ways. He unwittingly sings the first half of Hans Sachs's *Wahn* soliloquy from *Die Meistersinger*, and channels Goya, albeit in the key or palette of calm academic discourse. Frank thinks we are in big trouble, not just leaving some odd change on the table, and he is correct.

Why is the free market, liberated from the crushing tax burdens of the last century, not working the magic Adam Smith promised us? Why hasn't deregulation led to the efficient negotiated deals the late Ronald Coase proved optimal? Though Frank reasons his way to policy recommendations that will trigger immune responses on the political right (and provides thoughtful antihistamine in a last chapter addressing them respectfully) he is no left-wing advocate of redistribution and leveling on abstract grounds of outcome fairness. In fact, he takes as given a profound distaste for coercion in a free society, and shares it, and he is a market-respecting economist.

Starting from thoughtful libertarian principles rather than slogans, step by step he dissects the ignorant and careless application of a "freedom-loving" ideology to a real world where the high-school economics of Ayn Rand simply do not describe reality. Along the way he brings Smith and Coase out from behind popular mischaracterizations to straighten us out about what they really thought.

Darwin is credited with first understanding the difference between traits and behaviors that advantage individuals, and traits that advantage ensembles, in par-

ticular species. Among the former are things like the enormous antlers of the elk on the cover of the book, which get the biggest-antler guy the foxiest lady, but tangle him and all his friends up in tree branches when the real wolves come around. The antler competition is bad for elks in competition with one another, and they would all do better to compete in other ways. Indeed, the Irish elk, who had the biggest, baddest antlers of all, are extinct.

The quest for higher comparative material position is Frank's target. People seek to accumulate wealth, and with the usual cautions about externalities, this is a constructive human trait leading to a richer and more capable society. But they also want to do well compared to a peer group, even more in many cases than they want absolute wealth, and the quest for goods like extra yachts, bigger houses, and show-off weddings is a *positional arms race* whose toxic effects cannot be controlled by individual action. My university recently spent a half-billion dollars on a football stadium and conditioning center, and another \$16 million changing coaches. But there's little pleasure and less income to be made from just playing ball well on an absolute scale: the payoff in elite intercollegiate football comes from being the best in the conference. But after all those teams pour millions into the quest, only one will go to the Rose Bowl, it's no more likely to be our team that does, and football will not be any more fun to play or to watch.

The human desire for relative position leads to enormous waste without the kind of cooperation embodied in governments, which protects members of an ensemble against incentives that are good for one or another individual until they all start acting them out, and then bad for the group as a whole. I have often thought that one of the ethical obligations of government is not to put people in a position where doing the right thing for society, like forbearance in a positional contest, hurts them. One of the protections for which Frank makes a strong case is a progressive consumption tax, under which we could act out our competition for status with no important changes in socioeconomic strata but with much less waste and suffering. This finding is worth emphasis: positional wealth has no intrinsic economic cost, even though a competition for positional goods is enormously wasteful. Frank, in essence, offers us a world in which we are all much richer in ordinary goods and in which everyone can have exactly the same amount of status wealth as he has now, just by organizing the game so the distance between status ranks is smaller in absolute terms. By letting status-seeking run free, the rich and powerful climbing over each other to get it are hurting themselves.

Another move considered by Frank is the economist's perennial favorite, Pigovian taxes on externalities. Here he is a little too ready to let us think that getting the incentives right, with a "carbon tax" for example, is enough to optimize behavior. Lots of climate-protecting things are market failures that individuals cannot get through private exchange: no matter how motivated by gas prices I can't buy myself a bike path or a tram. But his main point, i.e., that sane policy must at least begin by stopping "takers" who use the atmosphere's capacity for greenhouse gas without paying for it, is unexceptionable. An especially interesting exploration here links the familiar reasoning behind such taxes to the positional competition problem. Frank points out that positional differences are unlike individual advancement via

conventional competition, because they are necessarily reciprocal and, like the externalities in Coasian parables, advancement of the positional, or relative, wealth of some must come at the expense of others. For me to have high status, you have to have lower status, and in a non-coercive world, you have the right to demand I pay you to do so; it's a short step from that insight to income transfers (that is, more access to non-positional goods) as the mechanism of that payment.

Along the way, Frank discusses the underappreciated role of luck and chance in sorting us into status slots and plain wealth, by way of demolishing the illusion that anyone created all his wealth by his own efforts. He is quick to note examples from his own career, but appropriately leaves it to me to recognize three of his unfair endowments, which are a sense of humor, a gracious prose style, and a broad curiosity that leads him to useful examples outside the conventional limits of policy analysis (such as the elk) and evidence from disciplines outside the economics sandbox.

This not a book about politics or implementation. It's completely free of equations and technical economics terminology. It is relentlessly unpreachy, and I can almost hear the author gritting his teeth suppressing completely justified urges to write with outrage. Anyone who has not short-circuited his neural circuits with ideological chaff can engage with it. But winning the argument on the merits is a long way from getting results on the ground. Frank has located an intellectual and moral starting point, and sketches the framework for a large enterprise of political and practical leadership to come.

***The Economist's Oath: On the Need for and Content of Professional Economic Ethics*, by George F. DeMartino. Oxford: Oxford University Press, 2011.**

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George F. DeMartino's *The Economist's Oath* is an in-depth inquiry into the nature of economic ethics. Focusing on the United States, DeMartino is appropriately critical of the deficit of responsibility surrounding the public and private roles of academic and applied economists. The book is structured around two tasks: a) making the case for professional economic ethics, and b) stipulating the content of professional economic ethics, culminating in a proposed professional oath for economists. Although the book succeeds in invigorating a stark economic moral landscape, its key contribution, as DeMartino admits, is somewhat tentative and speculative: "We cannot begin to say where inquiry into professional economic ethics will lead. What we can say is that there is a strong ethical obligation facing the profession to take the risk of this exploration" (100).

The book formulates a number of core preliminary questions in a field that has thus-far remained largely undeveloped in the United States. Professional oaths are a potentially promising institutional solution for promoting ethics, and this book is