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Litany of pleas for the nanny state

BOOK REVIEW

By Richard **Rahn**
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If you are fond of the interventionist state, unable to think beyond first-order effects and are not easily bored by random statistics, facts and non-facts, you will love "Everything for Sale: The Virtues and Limits of Markets," by columnist Robert Kuttner.

Mr. Kuttner's thesis is simple: Markets are not perfect, and therefore there is a role for government. Nothing new or surprising in that. The real message of the book is that there are a number of economists, most of them of the Chicago School, including Nobel Prize winners Milton Friedman, Gary Becker, Ronald Coase and James Buchanan, who are unfair (i.e. effective) critics of the big government that Mr. Kuttner loves.

Mr. Kuttner has been involved in too many debates on the issues over the years not to recognize and at least acknowledge many of the failures of big government and regulation. Instead, his technique is to mention programs and regulations that clearly have not worked, but then to attack those who have proposed alternative market-based solutions, without providing any soundly reasoned alternative himself.

The essential flaw of "Everything for Sale" can be captured in the following statement: "Even Chicago School economists - George Stigler and Arnold Harberger, among others - have long acknowledged that a monopolist can raise prices, cut output, and thereby maximize his own well-being but not that of the public." This is something that every beginning economics student learns, and it is why market economists are so averse to government monopolies - such as the governmental health care monopoly that Mr. Kuttner wants.

The book is filled with anecdotes about real and imaginary market failures in health care, airlines, electric power, telecommunications and on and on and on. These "failures" are used to justify Mr. Kuttner's endless pleas for an expansion of the coercive nanny state. For instance, despite the overwhelming evidence of the basic success of airline deregulation, Mr. Kuttner argues it was a mistake to deregulate. Even the Clinton health care proposal was too moderate for his taste. He wants a totally socialized Canadian-type system that is so coercive that the affluent cannot buy their way out, no matter how severe their need.

Failures of the public sector get short shift. Mr. Kuttner is quick to question the motives of business executives but loath to question those who have their hand in the public pocketbook. He often blames the market system for problems that are caused by government. For instance, he writes: "In [cases] such as mandatory overtime in factory jobs, involuntary overwork results from the employer's efforts to game the rules of the fringe-benefit system and minimize turnover . . . [it being] more `efficient' to require a smaller incumbent work force to work overtime than to take on new employees who desire work." Mr. Kuttner's description of the problem is correct, but the problem too often results from government intervention, not the free market.

He writes that "the nations where markets have the freest rein do not invariably enjoy the most reliable prosperity, let alone the most attractive society. ... As society becomes more marketized, it is producing stagnation of living standards for most people, and a fraying of the social fabric that society's best-off are all too able to evade." But such statements are totally at odds with reality. The new Index of Economic Freedom, published by the Heritage Foundation and the Wall Street Journal, clearly demonstrates that the freest societies most often produce the highest standards of living with the greatest economic opportunity.

And nowhere does Mr. Kuttner show any concern for the taxpayer or recognize that our tax system unnecessarily impedes productive work, saving and investment.

Despite an abundance of facts and statistics, the book is only of limited use because of its clear ideological bias. Those seeking a good review of the pros and cons of the important public policy issues covered in the book will find it too selective in its presentation.

If you wish to redistribute some of your hard-earned income to a man who would reduce your freedom and misinform you, buy this book. In asking you to, Mr. Kuttner indeed assumes that everything is for sale, including common sense.

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