

# Perception and Misperception

## Techno Stereotypes, Junk Science and Economic Riddles

### **Cyberselfish**

by Paulina Borsook

Perseus Book Group (Public Affairs)

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288 pp. ISBN 0 316 84771 2



The focus of *Cyberselfish* is Paulina Borsook's critique of techno-libertarianism, described as a set of political and philosophical beliefs that range 'from the classic eighteenth-century liberal philosophy of that-which-governs-best-governs-least love of laissez-faire free market economics to social Darwinism, anarcho-capitalism, and beyond' (3). Borsook draws on aspects of each of these positions to manufacture a stereotype techno-libertarian, a caricature built up from what is essentially the 'worst' (at least by Borsook's standards) of the many philosophical positions that make up techno-libertarianism.

Chapter one of *Cyberselfish* is devoted to Borsook's interpretation and rejection of 'bionomics'. According to Borsook, bionomics borrows from biology to 'explain economic behavior, describing the way the world works in terms of learning, adapting, intelligence, selection, and ecological niches. It favors decentralization and trial and error and local control and simple rules and letting things be' (32). Bionomics, Borsook argues, views the economy as being like a rainforest, a complex system best left untouched. It favours free markets and questions the role of government intervention.

With deliberate irony, Borsook invokes the language of bionomics to ask, 'where in this ecosystem is there room for other species?' besides the 'happily workaholic' (37). She questions the obsession of Silicon Valley firms with short-term optimisation and asks whether a stable firm with 'good' performance may have better long term prospects. These questions, however, are purely rhetorical as no bionomists are given the opportunity to answer her challenge.

A common practice of Borsook's is to take the most controversial view from the libertarian spectrum and assign it to her stereotype techno-libertarian. In her chapter on bionomics and the free market, Borsook twice asks her readers to believe that at heart, the typical techno-libertarians is a naive anarcho-capitalist who prefers the regulation-free instability of post-communist Russia or the Balkans (20-21, 46-48) to the United States. By ignoring other libertarian perspectives which favour limited government, and using these exaggerated examples, Borsook constructs her stereotype of the typical techno-libertarian.

With bionomics debunked, Borsook moves on to discuss cypherpunks and cryptology. The chapter begins with an informative outline of the 'crypto wars' and questions the cypherpunk hostility towards government. As Borsook points out 'maintaining an unfortunate position on cryptology is hardly the sum of what government does, can do, or has done for the technology community' (83). Attacking this techno-libertarian 'culture of complaint' (59) is a recurring theme in *Cyberselfish*.

According to Borsook, government defence contracts laid the foundations for the prosperity of 1990's Silicon Valley and the rule of law ensures that 'graft and protection money aren't usual line items in most high-tech companies budgets' (83). Techno-libertarians, who are assumed to be wealthy beneficiaries of these positive interventions, therefore have no cause for complaint—at least according to Borsook.

Cypherpunks however, provide another opportunity for Borsook to reinforce the negative stereotype of techno-libertarianism. Cypherpunks are colourfully described as 'testosterone poisoned' boys who never really grew up and who view themselves as 'guerrilla archetypes', acting out in some form of 'Dungeons and Dragons wish fulfillment' (91-93). The 'psychosexuality of cypherpunks' (100) leads them invariably to fringe sex. Cypherpunks, and by extension techno-libertarians generally, are nerds and geeks whose 'dating cluelessness' (105) stems from a lack of trust in others, and their inability to cope with the nuances of individuals.

The third chapter of *Cyberselfish* is primarily concerned with Borsook's time as an employee of the magazine *Wired*. Borsook's tale of her time at *Wired* is used as a springboard for highlighting the 'morbidly



**The Representation of  
Business in English Literature**  
Introduced and edited  
by Arthur Pollard  
Institute of Economic Affairs,  
2000, 182 pp. £12  
ISBN 0-255 36491-1

hypermale' (138) nature of techno-libertarianism. The favourable coverage by *Wired* of George Gilder is presented as evidence that techno-libertarianism is sexist, if not overtly, then at least subconsciously. The long hours and arduous work practices common in Silicon Valley are, according to Borsook, yet further proof of the anti-female techno-libertarianism promoted by *Wired*.

'Cybergenerous' is the title of the chapter that deals with the alleged lack of high-tech, and by implication techno-libertarian, philanthropy. High tech firms are strongly criticised for their practice of 'dead-rat' (200) giving. That is, like cats, they give what they consider to be most valuable, not what people actually want. Typically their dead-rat is a gift in the form of technology. As Borsook quite rightly points out, giving technology without offering to support it, or where there are more pressing concerns, is a clear example of dead-rat giving.

But Borsook doesn't leave it there, choosing to attack the lack of patronage of the arts by high-tech firms. These companies are criticised for giving too narrowly, in that they prefer to give to education in computer science and engineering, or to charities with easy to quantify output, rather than the arts. Techno-libertarian geeks are accused of being 'know-nothing philistines' (190) because of their alleged lack of artistic taste.

This last point brings into the open the underlying conflict in *Cyberselfish* between the numerically literate technologists/geeks and the humanist 'arty' crowd. At one point, Borsook recounts the story of a run in with a techno-libertarian who was attempting to court her via email. The encounter climaxes with Borsook emailing her suitor a criticism of libertarianism that draws the reply 'I bet your article will make you look good with your arty friends.' Borsook replies in her book with 'Voila! The ancient nerd-rage at being slighted by the (to him) attractive art student . . . subtly damned by the strangely impenetrable community of shared subjective values of humanities geeks' (62). Borsook's comments do not help her overall

argument in any way, but simply show that she is as prone as any techno-libertarian to acting like a 'spoiled teenager' (233) when the mood suits her.

Ultimately it is this open hostility towards technologists, geeks, nerds, cypherpunks and other alleged representatives of techno-libertarianism which is the book's undoing. While there are a number of interesting issues raised in *Cyberselfish*, many of those who could benefit from the insights Borsook has to offer will never read beyond the introduction of this book. The reason? Right from the opening pages, Borsook makes her hatred of the techno-libertarian culture well known.

According to Borsook, techno-libertarianism is 'dangerously naïve and, at its worst, downright scary'. Beneath its shiny surface she has 'sensed nastiness, narcissism, and lack of human warmth, qualities that surely don't need to be hard wired into the fields of computing and communications' (5). She considers philosophical techno-libertarianism to be 'a kind of scary, psychologically brittle, prepolitical autism' (15). Throw in Borsook's foray into the psychosexuality of cypherpunks and the overall impression of this book is that of a longer, but no more mature version of Borsook's, geek boy meets humanities girl encounter. Techno-libertarianism may be painted as cyberselfish, but Borsook's style makes her out to be a cybersook.

By making her personal hatred of all things libertarian so blatant from the start, Borsook potentially alienates readers who do not already share her position. From her introduction Borsook has not only been judge and jury of techno-libertarian culture, but has executed the prisoner as well. This is unfortunate as those who do venture past the introduction to *Cyberselfish* may have difficulty in accepting Borsook's analysis as an unbiased critique of techno-libertarianism. *Cyberselfish* will frustrate those whose concept of libertarianism and technology is not shared by Borsook, but the book may still be a worthwhile read as an insight into Silicon Valley life and the attitudes of its critics.

*Reviewed by Heath Gibson*

Literature and business, as we know them today, are both features of the same modern world, yet from the very beginning the relationship between them, at least in English literature, has frequently been strained. The art of writing has come to rely on publishing as its means of dissemination. Publishing is a commercial undertaking that is notorious for its ruthlessness and lack of sentiment. Writers themselves have often, though not always, tended to view business in general in a negative light, while at the same time finding it an essential source of inspiration. Whether positive or negative in outlook, this book testifies to the fact that there are indeed riches to be found in the literary treatment of business.

The essays collected in this book constitute a valuable survey of the way in which English writers have viewed business from the 18th century to the present day. Daniel Defoe, the author of what is usually credited as the first novel in English, *Robinson Crusoe*, himself dabbled in business to varying degrees of success. The story of Crusoe can be read as a cautionary tale about the dangers of imprudence in commerce. Crusoe ends up alone on his island as a result of overreaching himself in his business ventures. Ultimately, we are told, he 'triumphs over adversity by learning to be both pious and prudent'. The novel can thus 'be read as a paean of praise to business practice'.

The positive attitude expressed by Defoe is exceptional among the writers of his time. Others such as Jonathan Swift, Alexander Pope, Oliver Goldsmith and Laurence Sterne viewed the rise of capitalism with disdain or even alarm. They were more inclined than Defoe was to criticise and satirise such issues as the corrupting power of materialism, rural depopulation and the slave trade. The conservatism and nostalgia that form part

of English cultural values were offended by the emerging new economy, a pattern that is repeated down the centuries.

For many of the subsequent generations of writers, the onset of the industrial revolution invariably meant the loss of something difficult to pin down but which might best be described as soul. The writers of the early 19th century were disoriented by rapid social change. Romantic poets such as Wordsworth and Shelley reacted with hostility and sought to extol the moral virtues of a disappearing rural idyll. In her novels, Jane Austen poured scorn on 'trade', regarding it as an occupation beneath the notice of genteel society. At the same time, she was well aware that the frivolous lifestyle enjoyed by her characters did have to be paid for somehow, even if, as in *Mansfield Park*, it was by the slave labour on plantations in far-flung corners of the British Empire.

The establishment of urban population centres linked by railways, a development accompanied by the expansion of the financial sector gave rise to new fears, and new sources of inspiration. Charles Dickens, Anthony Trollope, Elizabeth Gaskell and other major novelists spent many a three-

volume anatomising their society, in particular tracing the circulation of money and dramatising the intimacy between commerce, law and politics. In *Little Dorrit*, Dickens's villain, the financier Merdle, lies at the heart of an intrigue that affects the lives of the other characters without some of them ever having heard of

him. The idea that there were hidden forces at work that could instantly enrich or impoverish untold numbers of families and individuals was one that Dickens used to demonstrate the pervasiveness and impersonality of business activity. At the same time, it is possible to be an honest businessman, though the currents of fortune may run against you.

The leading writers of this period were themselves business-minded. Mass literacy started to become a reality and thus a whole new marketplace for fiction and journalism was opened up. The

concept of copyright also gained strength, allowing writers to trade in their intellectual property. Dickens criticised his society and profited by doing so. He was an astonishingly industrious author and astute businessman who had by the end of his life amassed a decent sized fortune.

The convergence of commerce and literature that seemed possible in the high Victorian period fell apart in the early 20th century. While the greatest writers of the latter part of the 19th century were also among the most popular, the first half of the 20th century saw a wide gap open up in this respect. Some members of the modernist movement—notably Virginia Woolf—poured scorn on fellow writers who deigned to talk about business. At the same time, the likes of Arnold Bennett, H.G. Wells and Joseph Conrad drew on their personal experiences in various trades to present a more sophisticated treatment of the subject than had previously been attempted.

The irrational protest against the modern world that seems an inevitable by-product of technological change is felt in the work of many of today's writers. The rise of state-funded literary grants, coupled with the rapid expansion in sheltered workshops known as university arts faculties, has meant that some of them have felt free to bite the hand that does appear to not feed them, even if business does in fact fund universities through taxes.

It is a curious fact that so little of our highbrow, or, for that matter, popular, entertainment has anything to do with the world of work, and, by extension, business. When working people are depicted in any great detail, it is generally only when they are members of some gory profession like the police, doctors, forensic pathologists, lawyers or publicans. Business does not tend to feature at all unless there is a murder or a mistress involved.

Over three centuries of rapid change, certain fundamental truths about the representation of business in literature may be established. One is that no matter how hostile a writer might be to the idea and effects of business, it is a measure of their artistic range the degree to which they know what they are talking about. Many of the most revered authors who assay

such topics as love and death are much less convincing when it comes to other aspects of everyday life. On the other hand, there are writers—often underrated—who show us transcendence and universal truth in the humblest of business activity.

It is important to note that this book is confined to English literature. The American attitude is different, lacking the same degree of residual snobbery associated with 'trade'. An obvious illustration of this point would be Tom Wolfe's novel *A Man in Full*, which makes the effort to explain what it means to be in business and the responsibilities and risks involved. Compare Wolfe's robust and sympathetic realism with, say, Julian Barnes's *England, Their England*, in which the arch capitalist protagonist is little more than a stereotype.

A useful companion for readers interested in the American perspective is provided by Robert A. Brawer's *Fictions of Business*. I know of no study of the representation of business in Australian literature, but a list of titles would include Frank Hardy's *Power Without Glory* and Peter Carey's *The Tax Inspector*, to name two of the more obvious examples. The plays of David Williamson would also be relevant.

These essays, all by senior literature academics, are crisply written and intended for the educated general reader. I was impressed by how lively they are and I can certify that they free from academic jargon.

Reviewed by Simon Caterson

### **Arts and Economics: Analysis and Cultural Policy**

by Bruno S. Frey  
Springer Verlag, 2000, 250pp.,  
\$US54.95, ISBN 3540673423

In *Arts and Economics: Analysis and Cultural Policy* Bruno S. Frey seeks to accomplish two things. First, to use economic analysis to stress the social value of art and defend it against a 'crude business' view of art. Secondly, to apply rational



choice analysis to the arts. This review considers whether Frey achieves these objectives.

Frey has not attempted an extended argument. The book is basically a reworking of articles that have already appeared in publications such as the *Journal of Cultural Economics* and the *International Journal of Cultural Policy*. Nevertheless, the chapters are gathered into coherent sections dealing with conceptual theory, the economics of museums, the economics of government support of the arts, and the economics of fine art. The book is intended to be accessible to non-specialists, with an emphasis on outlining ideas, problems and solutions clearly, without resorting to a great deal of technical detail.

The opening two chapters are probably the most interesting. Although the concepts they introduce, such as individualism, exogenously determined preferences and self interest, are pretty standard for economic analysis, Frey does come up with some interesting definitions. He suggests, for instance, that an artist is someone who exists at the nexus of demand and supply, contrary to the romantic, supply driven view of an artist creating works for an indifferent audience.

The chapters on museums consider why museums allow stock to accumulate in their storerooms rather than either displaying or selling it, how so called 'superstar' museums can maintain themselves, and why special exhibitions have become so prevalent. Frey concludes that museums would be better managed if they were given greater budget autonomy within the public sector and that 'superstar' museums need to concentrate on their core activities and become organised more along 'process' rather than hierarchical lines.

These conclusions provide an intellectual justification for what is already happening in major performing arts companies in Australia. Companies such as the Sydney Symphony Orchestra have been acting on the principles of greater budget autonomy, concentrating on core activities, and organising around process rather than hierarchy for some time now. Frey's analysis of special exhibitions is also useful in the Australian context. His observations that special exhibitions are viable because they avoid the fixed costs associated with permanent arts fixtures,

but that they will become less viable as more are mounted and the public's taste becomes satiated, explain the current raft of special arts events in Australia, and also predict their possible fate.

The chapters on public support of the arts investigate the justifications for government intervention, the extent of popular support for the fine arts and the kind of government that will support the arts. The chapter on justifications for public support of the arts presents a public goods argument that is already quite well known to arts economists. This is that demand for the arts exists as a result of the spillover benefits they produce for society as a whole, as well as the direct benefits they give to individual consumers. Frey does make the point, however, that government handouts are probably a less effective way of providing aid to the arts than indirect support through tax incentives and copyright legislation.

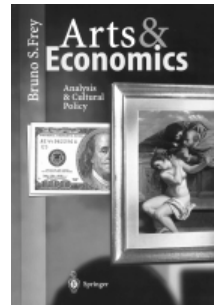
To measure popular support for the arts, Frey analyses a referendum taken in Basel, Switzerland, in 1967, on the purchase of two paintings by Picasso. He is able to statistically predict the proportion of 'yes' to 'no' votes by taking both voters' private preferences into account, as well as the broader issues predicted by the public goods model. He finds, as we would expect, that wealthier, better educated citizens with good access to the museum were more likely to vote 'yes' in the referendum, and also that the spillover benefits of bequest, prestige and option value were important predictors of the vote. However, Frey's conclusion that a majority of individuals voting 'yes' in the referendum is evidence that arts decisions can be left to private citizens, rather than a cultural elite, is premature. While Frey does acknowledge that the elite was capable of persuading popular opinion to its view, he does not consider that elite power was exercised in the definition of the referendum proposal. What paintings, how many paintings, for what purpose, for how much, and so on, were all decisions taken by the political and cultural elite. At best, Swiss voters had the option of accepting or rejecting policy decisions already taken by the cultural elite. A more convincing argument would be that the success of the referendum was due to the proposal appealing to the preferences of the median voter.

However, Frey offers no evidence of this.

Frey also draws a rather long bow in his analysis of the sort of art that different forms of government will support. He suggests that a federal form of government will often provide a more stimulating environment for the arts than a unitary form of government, as artists are given greater choice of public patronage. He cites the historic examples of the Holy Roman Empire and the city states of Renaissance Italy as evidence that artists were free to pick and choose their patronage. It is difficult, though, to see the parallel between these examples and a modern federal state. First, the laws and customs of a modern federation are far more uniform than those of the old city states and principalities. Second, the

centralising power in modern federations has far more influence over the actions of individuals than was the case in Frey's examples. And third, in most modern federations there is a very large imbalance of resources between state and federal governments. As a result, the majority of arts support comes from the centralising power, not the periphery. Frey's analysis of the variety of art that we may expect from democratic and authoritarian regimes is, however, intriguing. Frey's idea that the democratic determination of arts policy according to the preferences of the median voter leads to a more stable arts policy compared with authoritarian regimes, is an idea worthy of further empirical investigation.

Overall, Frey succeeds in demonstrating that careful economic analysis can produce solutions that are generally supportive of the arts. However, he is less successful demonstrating the validity of the rational choice approach to the arts. Two important theories which provide the basis of his analyses in chapters five and six, Baumol's income gap and Samuelson's theory of public goods, are public finance, not rational choice, theories. The median voter model, which is a rational choice theory, is not handled well. In chapters seven and eight, regarding referendum voting and the supply of art under democratic and authoritarian regimes, Frey needs to pro-



vide us with evidence of median voter decisionmaking in order to persuade us. As it is, his ideas only provide the basis of further empirical research.

The strongest chapters are those dealing with museums and fine art. Drawing on organisational theory, Frey gives a convincing explanation of why museums allow large quantities of art to accumulate in their vaults, and notes the organisational reforms that arts institutions must implement if they are to survive. The final chapters deal with the poor investment returns offered by the art market relative to the share and property markets, and the technical problems of evaluating cultural property. Frey also analyses the demand and supply of fake art, concluding that the benefits of fakes probably outweigh the harmful effects.

*Reviewed by Simon Blount*

### **Guide to the Perfect Latin American Idiot**

By Plinio Apuleyo Mendoza,  
Carlos Alberto Montaner,  
and Álvaro Vargas Llosa

Introduction by Mario Vargas Llosa  
Madison Books 2000  
219 pp. US\$ 20.00  
ISBN 1-56833-134-7

This book is a delight. It is funny, insightful, a bit repetitious and highly relevant for Downunder readers. The book is modelled on those racy self-help guides, such as 'Letter Writing for Dummies' or 'The Complete Idiot's Guide to the Stockmarket', and was written by three lapsed Latin Marxists. They put their literary flair to good use in lampooning the populist-nationalist-collectivist intelligentsia throughout Spanish America and beyond. And they take no prisoners!

The book was an instant bestseller when first published in Spanish five years ago and the translation has now become a conversation piece in the United States. It will appeal to Australians, because so

many of the nationalist cringes and social-engineering dreams of the Latin American idiot resonate through public discourse Downunder. The dissections and refutations of populist leftie stances by Mendoza, Montaner and Vargas Llosa, jr. (the latter being the economist son of 1993 CIS Bonython Lecturer, Mario Vargas Llosa) equip Australian friends of individual liberty with new and deadly arguments.

The Perfect Latin American Idiot is defined as someone who—out of a carefully cultivated victim mentality—believes in dependency theory, namely that Latin Americans are poor *because* North Americans and Europeans are rich, who relies on the benevolence of the 'patrimonial state' (here we call it the Nanny state) and macho *caudillo* leaders with facile push-button solutions, and who believe that economic activity is a zero-sum game. Above all, they blame everything negative on others, never themselves. It is the lazy, puerile denial of self-responsibility, and the opposite of the worldview of the liberal.

The book is a product of the immense liberal awakening throughout Latin America, which has hardly been noticed here. As I learnt on a recent trip to South America, liberal ideas have captured the young, and the Idiot is in full retreat. Nowhere are liberal young thinkers and activists these days more in evidence and more on the intellectual and policy-framing attack than in Latin America! Nonetheless, collectivist fads are not yet defeated in Latin America. Liberation theology—the book calls it 'socialism as a trampoline to heaven' and 'cassocked communism'—still influences many Catholic priests and exposes the Catholic Church to the successful competition from individualistic, competition-preaching Evangelical movements made in the USA. And many a Latin conservative authoritarian and social democrat refuses to accept the need for a minimal state and a secure, freedom-supporting order.

The chapter on Cuba is brilliant. Idiots, including in this country, still

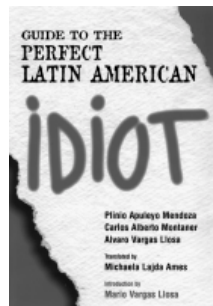
blame Cuba's economic misery and malnutrition on the US embargo. Yet, US products are readily available in Cuban foreign-exchange stores. The authors show most convincingly that Cuba's problems are caused exclusively by communist rigidity, ineptitude and value destruction, coupled with the end

of massive Soviet subsidies. Over 30 years, the USSR dumped around \$100 billion of aid on Cuba, that is four times the total amount of the Marshall Plan for all of Europe (102), but massive Soviet aid left less of a trace than a block of ice after a hot afternoon on a Havana beach. Puerto Rico, which had about the same per capita

income as Cuba when Castro grabbed power, now produces ten times Cuba's per capita income.

The book sparkles with a Latin fireworks of quotables, almost too rich and too amusing to digest for the more sedate Anglo-Saxon reader. Here are just a few random selections to inform potential readers of what wisdom and wit awaits them: 'It is difficult to become a perfect, well-rounded, flawless idiot unless there is a fundamental anti-American component to the ideology' (127). 'Latin America and revolutions are still drawn to each other like men and women' (125). 'The . . . regulatory state, the supposed rectifier of economic and social inequalities, is also the father of a luxuriant and parasitic bureaucracy' (65). 'In 1974, when the general (Argentine *caudillo* Perón) died . . . his country, choking from so much national glory, had been suffocated' (157). 'Progressivism is science fiction turned into politics: tourism to the past' (44). ' . . . [T]o pray to heaven for capitalism would be like asking . . . for the Nobel Prize to go to the author of *A Thousand and One Nights*, it's impossible because everyone wrote it . . . Capitalism . . . is humanity's greatest collaborative work' (123).

I liked the scalpel-sharp demolition jobs of the essential ten books in the Idiot's library, ranging from Fidel Castro and Che Guevara to Herbert Marcuse, Fernando Henrique Cardoso (now three-



quarters reformed and President of Brazil) and Régis Debray. It is most tempting to think about doing the same to the top ten bibles of the Aussie left.

It is of course true that some of the more virulent idiocies that have flourished across the Pacific are not shared by the Downunder subspecies of the Perfect Idiot. We had no revolutions and military governments, little outright expropriation, only mild anti-imperialism, less class consciousness and social division. But Australian populists are baying for collectivist 'visions', as if leaders could offer facile solutions to the intricate problems of a dynamic open society. Kneejerk anti-Americanism induces many journalists to oppose a free trade association with the US on the assumption that we could be discriminated against under free trade (as if that were possible!); and the Marxist mantra that 'the rich are getting richer and the poor are getting poorer' is repeated unchallenged at dinner parties—never mind the fact that Australia's poorest 20% have also benefited from the 1990s growth wave. Australian readers may chuckle when the Idiot's Guide lampoons Peruvian leftist *caudillo*, Velasco, for promoting an Andean 'Baby Manuelito' to replace the *gringo* Santa Claus, or when Latin intellectuals publish theses about Donald Duck being a tool of imperialist domination. Stop laughing. Don't you remember our jingoist marsupialisation of the Easter Bunny? Look at the linguistic contortions of inmates of Australian Departments of English to uncover feminist or anti-globalisation messages in venerated authors which had escaped previous generations of readers.

I am aware that some Australians have been inspired to compile an overdue 'Guide to the Perfect Downunder Idiot'. Therefore, Malcolm Fraser, Bob Katter, Pauline Hanson, Dick Smith, Philip Adams, Michael Pusey, Robert Manne, Helen Clark, Jim Anderton, Clive Hamilton, the National Civic Council, assorted theologians, virtually all at the ABC and SBS—expect to be cited and submitted to a similar dissection by rational analysis!

Meanwhile, dear reader, don't wait for

the Guide to the Perfect Downunder Idiot. Go and buy the Latin pioneer version. It is worth everyone of our South Pacific Pesos that it will cost you!

*Reviewed by Wolfgang Kasper*

### ***Safe Enough? Managing Risk and Regulation***

*Edited by Laura Jones*

The Fraser Institute, Vancouver, 2000, 269pp, ISBN 8975 208 7 (Download at [www.FraserInstitute.ca](http://www.FraserInstitute.ca))

**T**wenty years ago seminal works by Aaron Wildavsky, Sam Peltzman, Peter Huber, Kip Viscusi and a few others pioneered the notion that more regulation of risk will often increase the risk that society faces. These counter-intuitive notions have since then normally been demonstrated to be accurate. Studies into the treatment of risk now seek attention in a crowded field.

The Fraser Institute's Laura Jones has brought together this present volume. It faces competition from another contemporary book by Julian Morris *Rethinking Risk and the Precautionary Principle* published by the Institute of Economic Affairs in London and launched in Australia at the Institute of Public Affairs (IPA) in November of last year. Although there is considerable overlap in the issues treated, Julian Morris includes more on the universal issues of the precautionary principle and global warming. Laura Jones's authors address more specialised fields including transport regulations, secondhand smoke regulations and the attacks by Greenpeace on allegedly toxic toys.

Both books comprise thoroughgoing trawls of the literature and assemble a series of writers to address the more contemporary matters that exercise the public's mind (or at least the minds of the self styled guardians of the public). Wildavsky (who Julian Morris exhumes to be a contributor to his book) is usually credited as the first to draw attention to the need to face risk or stagnate as a society. This theme is present in both

volumes and applied to contemporary issues including GM food, a topic also common to both collections. Laura Jones brings in Douglas Powell to tease out the issues of GM food. Powell produces a free and comprehensive daily global press cutting service of articles on the subject, as well as undertaking research into particular crops at the University of Guelph. He writes with authority and refreshingly about the hype engendered with Frankenfoods.

Laura Jones's authors include John Luik. Luik's research has earned him considerable enmity among the anti-smoking establishment because he has painstakingly demonstrated the impossibility of secondhand smoke constituting a possible cause of cancer. There are many, including in this country, who draw a straight line between smoke inhalation and cancer and fabricate phantom deaths of the ostensibly unwitting passive smoke consumer. This form of junk science continues to receive plaudits—only one of a great many cases where the righteous cause attracts a diminished degree of critical scrutiny.

William Waters updates some of the original work by Peltzman, Lester Lave and others to counter the distortions of Ralph Nadar about the motor car. However, he shows some sympathy for Nadar's 'unsafe at any speed' notion that motor car producers are sparing with the truth about the safety of the products they sell. If this is so it sits ill with another aspect of regulatory control product liability and the litigation explosion that Huber has chronicled. Entrepreneurial lawyers have targeted firms, especially in the motor industry, for damages even where they are innocent, thereby adding costs that are ultimately paid by the general consumer for little return. Distortion of truth in ways that might bring greater risk of harm would suppliers particularly vulnerable to such lawsuits. Moreover, he harps on the externality or spillover issues with cars, whereby individuals impose risk on third parties. Again, this is an issue that can be used to build in massive regulatory intrusions. One of these—the 55 miles-per-hour speed limit common throughout the USA—he analyses to

demonstrate the lack of any serious externality (when speed limits were increased, there was no net change in accidents).

One chapter is a very useful chronicling of a NGO campaign. Greenpeace, in pursuit of PVC its then demonisation objective, sought to paint a picture of concern for children with a campaign 'Play Safe' targeting children's toys. This remains part of the organisation's long standing campaign against dioxins, a focus of which was Nufarm in this country. The campaign in Canada amassed junk science myths and forced the authorities there, acting on the 'precautionary principle', to take action against certain toys. Needless to say, the empirical evidence of harm was non-existent and the theoretical possibilities remote. But the regulatory authority had little to lose by implementing a ban but much to gain in relief from attacks by activists and even more if the most remote possibilities were true.

The piece is important in dissecting the tactics of Greenpeace as a funder of general distrust of industry, the role it and its fellow activist NGOs have taken over from the now defunct socialist revolutionaries. In doing so and in ensuring the campaigns are sensationalised, NGOs also obtain the publicity which is an essential drip to ensure funding. The hallmarks of such activity include a high profile of the targeted products, forming coalitions, issuing large volumes of press releases, finding people who will offer 'expert' advice to support their campaign and so on. IPA has commenced a new program, NGO Watch, to act as an early warning against such campaigns as well as to address the funding levels and tactics of the NGO's engaged in them.

Understandably given the two compilations' titles, *Safe Enough?* has a more spartan treatment of the precautionary principle than *Rethinking Risk and the Precautionary Principle*, for which Morris actually counts 19 different definitions. This innovation stopping nonsense reverses the scientific

method which has been instrumental in bringing mankind its present level of affluence and safety.

The precautionary principle, whatever the favoured definition, comes down to saying 'don't progress with developing an idea (flying to the moon, crossing the road) unless all possible adverse outcomes are discovered and eliminated'. It prevents experimentation and hijacks a gradual improvement in products that has been brought about by the search for profits using competition and innovation to seek out better ways of meeting consumer needs.

Having been introduced into international treaties initially in an anodyne fashion, the precautionary principle now threatens to undermine the open trading system by allowing new protectionist opportunities to be grafted onto general hostility to globalism. It underscored the 1997 Basle Convention on the control of transboundary movements of hazardous wastes and their disposal, which inhibits the movement

of waste to countries that are best able to treat it; it features strongly in the 1999 Cartagena Protocol on Biodiversity that offers an opportunity, at least on one reading, for countries to ban imports because of the way they are grown.

The final chapter in *Safe Enough?* is by Professor William Stanbury of the University of British Columbia. This is a discussion of perceptions of risk and a didactic scheme for a policy response to it. Though an exposé of the dangers of risk regulation, it also seeks to use the tools, including the dreaded precautionary principle, as a means of limiting its damage. Morris has chosen authors who are far less compromising. To many this means his book is more rigorous; others would view *Safe Enough?* as having more practical relevance to policy advisers.

Reviewed by Alan Moran

## **The Riddle of the Modern World**

by Alan Macfarlane

Macmillan Press Limited 2000

326pp, \$130.90

ISBN 0-312-23204-7

There's no doubt that the Number One Mystery for mankind is the utterly improbable origin of life. But if Alan Macfarlane is to be believed, the improbable origins of modern commercial civilisation can fairly claim to be Mystery Number Two. It was easy enough for Adam Smith to write in the 18th century that all you needed for general prosperity was 'peace, easy taxation, and a tolerable administration of justice', but how and why had these eminently desirable conditions arisen out of the generally unpromising preceding epoch? Who could have foreseen that in the 250 years since Smith, global economic growth and development (despite periodic hiccups) has kept moving steadily up?

After all, several other civilizations stopped dead in their tracks. Despotism, China, a 'place where the customs of the country can never be changed,' was a classic example noted by Montesquieu. Whether China's condition was best described as conservative paralysis or benign equilibrium may be debatable, but it is plain that the world's oldest continuous high civilisation did eventually lose its way. And Europe too, says Macfarlane, might have come to a halt 300 years ago. In the 17th century France was the most powerful nation in Europe, but there were periodic famines, high mortality, and a fateful indifference to the lives and welfare of its most productive workers. By about 1700 'The world, with its roughly 500 million inhabitants, seemed to have reached the limit to its potential to support human life . . . Mankind seemed to be caught on a treadmill.'

Then along came the industrial revolution, and its bells and whistles have been driving us on ever since. Several books have treated the rise of the West and tried to explain the dynamics of western development. *How the West Grew Rich* by Nathan Rosenberg and L.



E. Birdsell is one of the best, and David Landes' *The Wealth and Poverty of Nations* is a more recent and fascinating exploration of the subject. Macfarlane shares these authors' interest in economic matters, but he gives more attention to specifically sociological and political problems. He also takes a distinctive biographical approach, trying to find an answer to his 'riddle' by examining the lives and thinking of four men—Montesquieu, Adam Smith, Tocqueville, and the late philosopher and anthropologist Ernest Gellner.

As might be expected from the author of *The Origins of English Individualism*, Macfarlane's argument points significantly toward British exceptionalism, something he finds support for in Montesquieu. 'I am here in a country which hardly resembles the rest of Europe' wrote Montesquieu in 1729. Unlike innumerable other nations, the English had 'progressed the farthest of all the peoples of the world in three important things: in piety, in commerce, and in freedom'.

But why? If the riddle of liberty is best explained in terms of a nation's overall institutional form, says Macfarlane, then it was Montesquieu who answered this question by identifying the structural requirements long ago. What was needed was the separation of 'economy from polity, religion from polity, religion from economy, and society (that is, kinship) from polity, religion and economy'—a separation reinforced and secured by crucial boundaries between legislature, executive, and judiciary. Montesquieu was also keenly aware of the significance of commerce, and why commercial activity could not be tolerated by the Russian state:

Commerce itself is inconsistent with the Russian laws. The people are composed only of slaves employed in agriculture, and of slaves called ecclesiastics or gentlemen, who are the lords of those slaves; there is then nobody left for the third estate, which ought to be composed of mechanics and merchants.

Commerce brings Macfarlane to Adam Smith. For readers familiar with Smith's thought, Macfarlane's most interesting

comments may be those deriving the economist's highly original ideas from the world about him, and the way he was able to see the social and economic transformation of Scotland taking place in the streets of Glasgow before his eyes. There, in the middle of the 18th century, a vigorously expanding 'third estate' of merchants and mechanics was displacing the last remnants of the feudal order. Drawing on Rae's *Life*, Macfarlane describes a man who 'lived in a boom town and watched a feudal, Calvinist, world dissolving into a commercial capitalist one.' This completed a succession of historic steps. A few years earlier the 'pastoral' stage of civilisation in the Highlands had yielded to a settled 'agricultural' stage, and by the 1760s

he could observe from his windows and talk to the people who were rapidly bringing about a commercial society and laying the groundwork for an industrial one.

The main elements of Smith's social thought are well set out by Macfarlane—among them the fact that 'his first principle of taxation was equality'. And with the subject of equality we come to Tocqueville, 'one of the deepest thinkers about the riddle of the modern world.' This may well be true, but he was certainly not one of the more economical writers. For the uninitiated and unimpressed, struggling with so much that is sinuously oblique in Tocqueville's exposition, and so little that is brief and clear, Sainte-Beuve's jibe that he 'began to think before having learned anything' rings true. There is nevertheless deep insight in the following, about commercial constraints on war, from his 1835 *Democracy in America*:

As the spread of equality, taking place in several countries at once, simultaneously draws the inhabitants into trade and industry, not only do their tastes come to be alike, but their interests become so mixed and entangled that no nation can inflict on others ills which will not fall back on its own head. So that in the end all come to think of war as a calamity almost as severe for the conqueror as for the conquered.

Well, I suppose *almost* everyone comes to think that way. But traditional military castes change their habits of mind only

reluctantly. And conquest and military predation were always so much easier than increasing production at home, that the cessation of war-making and brigandage remains a big part of the riddle that Macfarlane has set himself to explain. In Africa today, brigandage in pursuit of gold or diamonds or oil resources remains an important road to power for military elites. Increasing production in that unhappy continent is largely impossible under the prevailing conditions of violent coercion and rapine.

The final thinker in Macfarlane's list is Ernest Gellner, a man who spent a lot of time ruminating on the shift to modernity, pondering how it was that the West escaped the 'trap' which had paralysed earlier agrarian civilisations and brought them to a stop. In the West, somewhat amazingly, civil society emerged, and the explanation Gellner offers for this is broadly in line with the explanation already offered by Montesquieu. The separation of powers is the defining characteristic of civil society, a social order which 'refers to a total society within which the non-political institutions are not dominated by the political ones, and do not stifle individuals either'. Indeed, the one distinctive new feature Gellner suggests is the exponential increase in power, technique, and scientific knowledge which has driven development since Smith's day:

Sustained and unlimited expansion and innovation. . . finally turned the terms of the balance of power away from coercers and in favour of producers.

*The Riddle of the Modern World* is a fairly pedestrian read. I suspect it could have been editorially tightened with advantage. But it does bring together in an original format the ideas which best explain the civilisation we enjoy today.

Reviewed by Roger Sandall

**Creating Unequal Futures:  
Rethinking Poverty,  
Inequality and  
Disadvantage**

Edited by Ruth Fincher  
and Peter Saunders  
Allen & Unwin, 2001, 251pp,  
\$35 paperback,  
ISBN 1 86508 342 9,

One Saturday in May I found myself nodding in agreement as I read Adele Horin's *Sydney Morning Herald* column. I don't normally do this. Horin is the *SMH's* resident 1970s leftist. That week, however, Horin's complaint was about how badly Australian academics write, and for once I could agree.

Parts of *Creating Unequal Futures?*, an edited collection, are a case in point. While I've read worse—we are spared French theorists' jargon—some of the authors make their readers work too hard. Take this sentence, on a randomly selected page: 'Since private rental is associated with high rates of residential turnover, this has led to the examination of the impact of private renting on low-income families.' Or in other words: 'Since low-income families renting privately move often, researchers examine how moving affects them.' The new version is no work of art either, but clearly says who is doing what in half the number of words.

Since the overall writing quality is not high enough, I can't recommend this book for lay readers. Welfare specialists, however, may get something from it. Two chapters, of seven in the book, are particularly worth noting.

Peter Travers' chapter on child poverty reports that with real incomes rising among the poor, child poverty fell between the early 1980s and mid-1990s in absolute terms, though it remains higher than many other countries.

While day to day needs are being met more effectively, the greater concern is about long-term social mobility. Historically, Australia has enjoyed high rates of social mobility. People moved up (and down) the occupational and income ladder through their working lives, and between generations. Where you started did not predetermine where you would finish.

For many, this mobility will continue. The proportion of young people from low-income backgrounds going to university increased significantly over the last two decades (the data Travers presents in this area is out-of-date and misleading). Strong growth in jobs requiring university degrees creates a path from education to affluence.

These young people will do well. Those without post-secondary skills are not nearly as well-positioned. Travers' statistics show that by the mid-1990s significant numbers of young with low academic abilities were engaged in what he calls 'marginalising activity', but which might better be called 'marginalising inactivity', since it means consistent absence from either education or the labour force. For those with high maths ability at age 14, only 2.3% were consistently in marginal activity by age 19. For those with very low maths ability the number was 21%.

This is not the only problem hitting some academically underachieving young people. Family structures are also under strain. Even in the short comparative period Travers uses, 1992-1996, the proportion of 10-14 year olds living with one parent went from 15.9% to 18.2%. The combination of family breakdown and fewer job opportunities for the unskilled meant that the proportion of children under 15 living without a working parent in the home increased between 1979 and 1997 from around 11% to nearly 18%. With disadvantages accumulating prospects diminish.

Of the problems, education is most easily open to public policy. The figures Travers cites on maths, and others available elsewhere on maths and literacy ability, show the strong connection between low ability and unemployment. If the Howard government's insistence on testing and improving maths and literacy levels among young people enjoys long-term success it will be a very important welfare reform.

The consequences of inadequate education are even more starkly presented in Boyd Hunter's chapter on poverty among indigenous people. Among the poorest 60% of indigenous people, 89% have no qualification, not even a Year 10 leaving certificate. Even in the mid-range quintile, in 1994 only 16% of indigenous people had a real job, with

another 9% in the Community Development Employment Projects, politely described by Hunter as 'driven primarily by policy decisions rather than labour market conditions'. Unsurprisingly, the incidence of serious poverty among indigenous Australians is much higher than it is among Australians generally.

Indigenous people are arrested at a staggering rate. Among the poorest indigenous people, 18.4% reported being arrested in the last five years. In the poorest areas elsewhere the figure is 1.7%. Even among the wealthiest indigenous people, 10.9% reported being arrested. In the wealthiest areas elsewhere the figure is 0.5%.

Indigenous health is also poor across all income groups, with around a third saying they have long-term health problems. In the rest of the population low income people have a similar health record, but the rest of the population is much less likely to have serious long-term illness.

As Hunter says, 'it is hard to talk about an entrenched problem such as indigenous poverty without getting depressed.' While acknowledging that even with bipartisan support it could take a hundred years to fix all the problems he suggests education as important to financial independence, and reconciliation so indigenous people feel they have an important place in Australian society.

The plight of indigenous people puts the rest of *Creating Unequal Futures?* in perspective. Improving schools and lowering unemployment are not necessarily easy tasks, but they are achievable. No non-indigenous family is likely to spend the next hundred years in poverty.

Reviewed by Andrew Norton

**In Defence of Globalisation**

by Keith Suter  
UNSW Press, 2000, 60pp.  
\$12.95, ISBN 0868404756

The 'Frontlines' series of books from UNSW Press attempt to explain significant topical issues that have captured media attention. Another prerequisite for representation in the

'Frontlines' series is constant media misrepresentation of the issue. On this basis, *In Defence of Globalisation* would have been a welcome addition. Keith Suter's contribution to the series, however, provides a backhanded defence of globalisation, if a defence at all. For those unfamiliar with globalisation, the book contains useful details of its historical development.

The book attempts to provide the reader with an understanding of globalisation, commencing with an agreeable thesis that globalisation is unstoppable but, as the author puts it, we can 'find ways of making lemonade out of this lemon'. The book also adopts a popular sub-thesis, that we face a challenge to make sure that globalisation works for the benefit of all people, not just the wealthy few.

The book introduces a problematic definitional divide between different aspects of globalisation, these are *economic*, *public order* and *popular* globalisation. The book's line is that *popular* and *public order* globalisation are helping to create a 'better world', notably implying that *economic* globalisation does not. Interestingly, after drawing these distinctions, the book makes surprisingly infrequent reference back to them, undermining their significance.

The cursory introduction fails to paint a clear picture of the route that the book proposes to take to highlight the concept of globalisation. The ambiguous chapter titles do not assist to remedy this flaw. The book uses six short chapters to cover the historical evolution of globalisation, the impact of transnational business, the new role of supranational governance, the enhanced power of NGO's and how one best ought to react to this new paradigm.

In the first chapter, the author introduces the reader to how and why the new global environment has changed due to globalisation. Interestingly, he sets the scene for the birth of globalisation by contrasting the fall of the USSR with the rise of globalisation. He then undertakes a theoretical historical evolution of the establishment of the nation state, placing the inevitable erosion of the nation states' sovereignty upon the forces of globalisation.

The second chapter seeks to shed light on the activities of business in the context of an eroded nation state. The author uses examples to illustrate how, due to globalisation, consumer purchases are more often global in nature. It is also reiterated that, due to the increased level of transnational business, national governments no longer have control over their own economies. This chapter uses slanted examples and a rally against consumerism to highlight problems associated with economic globalisation.

The author's ability as a concise historian is highlighted in the third chapter through a chronicle of the development of supranational governance. The author undertakes a similar approach in the fourth chapter by detailing a historical evolution of the impact of globalisation upon NGOs and highlighting the benefits of *popular* globalisation. Rather than a defence of globalisation, these chapters substitute analysis with historical description.

The fifth chapter fleshes out the key trends existing in the wake of globalisation. The examples and case studies are not as sharp as one finds in Thomas Friedman's bible on globalisation, *The Lexus and the Olive Tree*, but he does provide some sharp insights and finally provides an even-handed defence of globalisation.

The fifth chapter provides a good analytical snapshot of the political impact of globalisation. It includes a good explanation of the rationale behind the political backlash associated with globalisation, with particular reference to 'Hansonism'. It also interestingly explains the backlash as arising through public misunderstanding of the issue. The author buttresses this explanation of the backlash by keenly tracing the public misunderstanding of globalisation back to the media and he details why the media failed to apply the requisite intellectual rigour to the issue.

The book's evenhandedness makes it a stretch to call it a *defence* of globalisation, furthermore on some occasions the book seems positively anti-globalisation. For example, the author refers to 3.6 billion people of the 'Global South' who are now in the invidious

position of being 'window shoppers', since they are well aware of what they are missing out on due to the more pervasive radio and television broadcasting. However he fails to make the implicit logical step, to accept that the fact that these people of the 'Global South' now have access to radio and television indicates in itself a large increase in their standard of living. Their access to television and radio highlights, at least, lower production costs and increased access to communication technology.

The final chapter reads more like an amateur economic terrorist handbook rather than a defence or even an explanation of globalisation. It revisits the three pronged definition posited in the introduction by highlighting how *popular* globalisation can overcome the detriments associated with *economic* globalisation.

The author refers to transnational corporations as the personification of the evil *economic* globalisation. He importantly fails to illustrate the advantages these corporations seek to achieve such as reducing transaction costs and producing superior products at lower cost. The final chapter details techniques to increase consumers' power through their consumption patterns. In an environment where transnational corporations are above national law, the author proposes counter-methods of enforcing social responsibility such as boycotts, girlcotts and socially responsible investment.

The author is straightjacketed by the nature of the publication, but his 'defence' of globalisation skimps on the essential economic background fuelling globalisation. Explanations and examples of concepts such as specialisation efficiencies and transaction cost efficiencies are noticeably absent, particularly in light of the success of Thomas Friedman's treatise, which was packed full of mind altering examples of these trends. The book has merit in detailing the historical trend of globalisation, but misses the mark as a defence of globalisation.

Reviewed by Ben Ross