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RATIONAL IGNORANCE, PROFESSIONAL RESEARCH, AND POLITICIANS' DILEMMAS

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RATIONAL IGNORNANCE, PROFESSIONAL RESEARCH,

AND POLITICIAN'S DILEMMAS

by

Mancur Olson

with

COMMENTS

by Newt Gingrich and by Jodie T. Allen

From:

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5. Rational Ignorance, Professional Research, and Politicians' Dilemmas

Mancur Olson

No analysis of the knowledge that grows out of scholarly research, and its relationship to political power, can be complete unless it faces up to a sad and inescapable reality: rational ignorance. This seemingly oxymoronic phrase, rational ignorance, is not a contradiction in terms. In some circumstances that are important for politics and government policy, the typical citizen serves his or her individual interests best by allocating relatively little time to the study of public affairs, even though this leaves the citizen ignorant of many matters that are important for the country.

The paradox becomes clear when one examines the situation of an average citizen who is deciding how much time to devote to studying the public policy choices facing the country. The more time the citizen spends studying public affairs, the greater the likelihood that a vote will be cast in favor of rational policies. The typical citizen will, however, receive only a small share of the gain from the more effective policies and leadership. In the aggregate, the other residents of the country will get almost all the gains, so the individual citizen has no incentive to devote much time to fact finding and to thinking about what would be best for the country. Each citizen would be better off if all citizens spent more time than they now spend finding out how to vote to make the country better serve their common interests.

This point is particularly evident in national elections. The gain to a voter from studying issues to determine the vote that is truly in his or her interest can be expressed as a formula: the gain is the difference in the value to the individual of the "right" election outcome, multiplied by the probability that a change in the individual's vote will alter the outcome of the election. Since the probability that a typical voter will change the outcome of the election is minuscule, the typical citizen, whether a physician or a taxi driver, is usually rationally ignorant about public affairs.

Occasionally, information about public affairs is so interesting or entertaining that it pays the citizen to acquire it for these reasons alone. Similarly, individuals in a few vocations can receive considerable rewards in private goods if they acquire exceptional knowledge of public goods. Politicians, lobbyists, journalists, and social scientists, for example, may earn more money, power, or prestige if they have more knowledge of public business relevant to their respective vocations. Sometimes exceptional knowledge of public policy can generate exceptional profits in stock exchanges or in other markets. Nevertheless, the typical citizen will usually find that his or her income and life chances will not be improved by the zealous study of public affairs or even of any single collective good.

This fact—that the benefits of individual enlightenment about public goods are usually dispersed throughout a group or a nation rather than concentrated upon the individual who bears the costs of becoming enlightened—explains many other phenomena as well. It explains, for example, the "man bites dog" criterion of what is newsworthy. If people watched television newscasts or read newspapers solely to obtain the most important information about public affairs, aberrant events of little importance would be ignored and patterns of quantitative significance would be emphasized. Since the news is, by contrast, for most people largely an alternative to other forms of entertainment, intriguing oddities and human-interest items are in demand. Similarly, the media fully cover sex scandals among public figures or events that unfold in a suspenseful way, whereas the complexities of economic policies or quantitative analyses of public problems receive only minimal attention. Public officials, often able to thrive without giving the citizens good value for their taxes, may fall from power because of an exceptional mistake that is simple and striking enough to be newsworthy. Extravagant statements, picturesque protests, and unruly demonstrations that offend much of the public are also explicable in this way: they make gripping news and thus call attention to interests and arguments that might otherwise be ignored. Even some acts of terrorism to attract dues-paying members. In all large and lasting organizations for collective action there are always some special gimmicks, which I call "selective incentives," that account for most of the membership in these organizations.[2] The selective incentives are individualized benefits or punishments that induce firms or people to participate in or to help pay the costs of collective action. One example of a selective incentive is the element of compulsion inherent in the closed shop, the union shop, and the coercive picket line, but this is only the most obvious example. All large organizations for collective action that survive have some analogous arrangements. These arrangements are usually very subtle and often provide those who join and participate in the organization with individual benefits while denying these benefits to those who do not.

When the beneficiaries of collective action are few in number, members of the organization may voluntarily take rational action to obtain collective goods without selective incentives. To illustrate this, think of the small number of large firms in a relatively concentrated industry. If, say, three large firms of about the same size operate in an industry, each firm will tend to obtain about a third of the benefits of any action to get political favors or to raise prices for the industry. This third of the benefits will usually be a sufficient incentive for each firm to take considerable action in the interest of the industry. When the numbers in a group are small, each participant will also have a noticeable effect on how well the common interest of the small group is served; this will affect the likelihood that the others will contribute. Thus small groups will often bargain until all participants agree to act in the group interest. This organizational advantage of small groups, and particularly of small groups of large firms, has, as I will show, important implications for public policy.

Rational Ignorance Strengthens Ideologies

The rational ignorance of the typical citizen arising from the logic of collective action suggests that simple ideologies and political slogans will play a gargantuan role in political life. As Anthony Downs has explained, ideologies are in part substitutes for detailed research and sustained reflection about public affairs.[3] If a citizen subscribes to one of the familiar ideologies, he or she will have some guidance on how to vote and on what to say when engaged in political arguments. If it is not rational for the typical citizen to spend a lot of time doing research on public affairs,

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but a left-wing or right-wing ideology can be acquired at little or no cost, it is understandable that many people will let ideology play a large role in determining how they vote. The ideology will indicate, or at least will appear to indicate, what general policy or what political party is best for people in their category or social class. Clearly, most of the votes cast by ordinary citizens are greatly influenced by ideology (or by party affiliation, which usually amounts to much the same thing).

The rational ignorance of the typical citizen is not the only reason that ideology plays a large role in modern life. Some social scientists, journalists, and politicians, who have strong professional incentives to be particularly well informed about public affairs, are also highly ideological. There are apparently psychological attributes that make some people highly ideological even when they are well informed. Although I will not examine these attributes in this paper, I suggest that they interact with the rational ignorance of the typical citizen to give the familiar ideologies and slogans an extraordinarily large role in modern society.

In this paper I will endeavor to show that "supply-side economics" and "industrial policy" are mainly outgrowths of right-wing and left-wing ideologies, respectively, and thus are also outgrowths of the typical citizen's rational ignorance about public affairs. To understand how supply-side economics and industrial policy became politically influential, one must first consider the right-wing and left-wing ideologies that inspired them.

Examining the Ideologies

The centerpiece of political debate today is the dispute over the proper role of the government, particularly the extent to which government ought to aid those of slender means. From the right, particularly the classical liberal, or laissez-faire, right, the main argument is that the growth of government intervention impairs economic performance and individual freedom and that overgenerous welfare-state programs have reduced the incentive of low-income people to work and to save. From the left the most common argument is that modern society must not be fearful of using the resources and plans of democratic government to ensure that the society develops in a desirable direction and particularly to ensure that compassionate provision is made for the needs of those for whom the market does not provide an adequate income. The ideological debate just described is commonplace not only in the United States but also in all

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other developed democracies as well. It attracts the serious attention of scholars as well as of politicians and journalists.

Given the overwhelming preoccupation with this ideological debate, it is surprising that little careful study has been given to the question of how well each side in the debate succeeds or fails in explaining economic performance in different countries and historical periods. If the right, or classical liberal, side of the argument is correct, we ought to find that societies that are growing most rapidly and have the highest per capita incomes are the ones in which the role of the government is the smallest and the redistribution of income in the direction of low-income people is the least. Conversely, if the left, or democratic socialist, side of the argument is correct, we ought to find the most impressive economic performance and the highest standard of living, at least for the poor, in the societies in which the role of government is relatively large and the redistribution of income to the poor is relatively generous. We can test the familiar ideologies by looking at changes across various historical periods when the role of government and the extent of income redistribution by government have differed.

David Smith is one of the few people to look at the evidence on this central debate of modern democratic societies.[4] In 1975 he looked at the percentages of the gross domestic product (GDP) that were spent or transferred by governments in developed democracies and tested the relation between this variable and the rate of economic growth in the society. As I see it, Smith found only a weak and questionable association. This association was a negative one—societies having a larger role for the government had a slower rate of growth. The relation was so fragile, however, that, if one omitted Japan—a special country in many ways—from the statistical test, the relationship disappeared. Japan has a smaller public sector and a faster rate of growth than the other major developed democracies, and it was largely responsible for the relationship Smith found.

Using somewhat more recent data than these, Erich Weede also found a negative relation between the share of national output taken by government in taxes and the rate of growth of per capita income. His results were also crucially dependent on observations of Japan.[5] Weede also tested whether a Socialist party in the government or in the governing coalition affected the rate of growth, but he found no statistically significant relationship.

In a major book entitled *Theories of Comparative Economic Growth*, Kwang Choi explored whether any relationship exists between the spend-

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ing and transfer by government and the rate of economic growth, the level of investment, and some other variables.[6] He found no strong relationship between the role of government and the rate of economic growth.

One of the relatively few other studies on this issue is an article by Samuel Brittan, the distinguished economic journalist for the *Financial Times* of London. Brittan has been one of the most influential advocates of monetarism and free markets in the United Kingdom. As a visiting professor at the University of Chicago in 1978, he published an article on the "British disease," the slow economic growth of Great Britain.[7] He argued, no doubt to the surprise of most of those who share his general approach, that the surprisingly poor performance of the British economy during the years after World War II cannot be explained in terms of the role of the state in Great Britain or the extent of income redistribution to low-income people. The United Kingdom, compared with its European neighbors, Brittan pointed out, is not greatly different from the average of the European countries in the proportion of the nation's resources that are consumed by or handled by the government. In fact, the proportion is usually lower in Great Britain than in Holland, Sweden, Norway, and West Germany, but the latter countries have enjoyed a far better postwar economic performance than Great Britain has. This observation alone makes it unlikely that the role of government in Britain is the main explanation for its poor economic performance.

Brittan's case becomes still stronger when he considers the historical pattern. The British economy, he observed, began to fall behind the rates of growth of comparable European economies in the last two decades of the nineteenth century. This was the very time when Great Britain and the British empire had the closest thing to ideal laissez-faire government that the world had ever seen. The relatively slow British growth, I would add, continued through the interwar period and became all the more noticeable in the post-World War II years, when the United Kingdom was often under democratic socialist governments and the welfare state came into being. Great Britain, then, has grown relatively slowly under laissez-faire government and labor or democratic socialist government alike.

Periods of Economic Growth

In this section I look at the historical periods with very different rates of economic growth and then examine the relative size of government and the extent of income redistribution in each of these periods.

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In the nineteenth century Great Britain, to some extent the United States, and to a lesser extent the European continent had policies that were closer to laissez faire and free trade than at any other time in human history. Great Britain and its huge empire followed not only laissez faire in domestic policy but also free trade. Apart from large subsidies to the railroads, the United States had something resembling laissez faire internally, although it certainly did not have free trade. Nor did many of the continental European countries. Yet, taking all the evidence together, the world as a whole in the nineteenth century came closer to laissez faire and free trade than it has at any other time. The nineteenth century was also a period of impressive economic performance. These facts, taken by themselves, argue on the side of the conservative or classical liberal argument that seeks to limit the role of the state and emphasizes the adverse effect of redistribution on the incentives to work and save.

The record in the interwar period was quite different from that before World War I. Although the period between World War I and World War II did not see the establishment of substantial welfare states—in general, that occurred after World War II—it saw an incomparably higher level of protectionism and economic nationalism than the years before World War I. Protectionism and high tariffs were the most striking features of the economic history of the interwar period (with even the British empire abandoning free trade). The interwar period was in general a period of poor economic performance and, above all, of the Great Depression.

Developments in the United States during this period are perhaps a little simpler to describe than in other countries. At the same time they are instructive from the point of view of the issues under consideration. In the 1920s the United States had a conservative and probusiness government under the presidencies of Harding, Coolidge, and Hoover. These presidents were not only conservative Republicans, but they also wanted to keep the role of the government and the transfers to the poor at a minimal level. At the same time, protective tariffs were extremely high and rising, with the Fordney-McCumber tariffs and then with the Smoot-Hawley tariff passed just as the Great Depression set in. The American economy did fairly well under Harding and Coolidge and in the first months of President Hoover's administration.

Then began the deepest depression that the United States—or the world—had ever seen. A substantial period of conservative and probusiness, though protectionist, government thus culminated in a catastrophic depression. This depression was not really cured, although it was somewhat ameliorated, under the New Deal administration of Franklin Roosevelt; only with World War II did the American economy fully recover.

From the end of World War II until about 1970 two facts of economic history stand above all others. The first striking fact is that in all major developed democracies the welfare state reached its full development and began to manage a significant proportion of the national income. The second important fact is that these major developed democracies grew more rapidly during this period than they ever had before. Some, like Germany and Japan (and for a time Italy), grew with incredible speed: even the slowest growing among these countries, like Great Britain and the United States, grew more rapidly than they had ever grown before. So the welfare state, on the one hand, and unprecedented economic growth, on the other, came to the major developed economies of the West at essentially the same time. Indeed, the postwar era was the period of the greatest increase in the peacetime role of the government, the largest effort to redistribute income to the poor, and the most rapid economic growth the world has known.

Was there a causal connection between the large governments and the welfare state and rapid economic growth? From the first quarter-century after World War II, it would seem so, but this observation does not fit with the experience of the nineteenth century; nor does it fit with the experience of the 1970s, when the welfare state in most developed democracies became larger than ever and the economic performance turned sour. It the relationship between the welfare state and economic performance were considered in more detail, many more contradictory observations would be apparent.

Perhaps the detached reader will agree that no clear picture emerges from the aggregative and historical evidence about the role of the state and the rate of economic growth. Given the almost universal preoccupation with the role of the government and the extent of income redistribution to low-income people, one would expect that—if either side of the ideological debate was correct—there ought to be clear and conspicuous evidence of an association one way or the other. Given the widespread interest in the issue, one would expect that someone would have shown a compelling association between the role of government and the rate of growth, but (to the best of my knowledge) no one has. If people feel strongly, as most of them do, about how large the role of government should be in a democratic society, one would suppose that those strong convictions rested on some clear and unambiguous finding about the role of the state and economic performance. That clear and conspicuous evidence is not there, and the evidence usually is not even systematically examined.

It is possible that the size and ideology of governments strongly affect the standards of living of low-income people, even if they have no clear effect on the rate of economic growth or the level of per capita income. Since generally less data exist on the standards of living of relatively low-income people than on rates of economic growth, one must be extremely cautious in drawing any conclusions. So far as one can tell from the available studies, however, there is no strong evidence, if any at all, that the ideology or size of government is related to the standard of living of relatively poor people.[8]

Thus one may assume, at least provisionally, that something else must be crucially involved in determining the rate of economic growth and the standard of living of low-income people besides the issue around which the ideological debate revolves. If governments of right-wing and left-wing ideologies do not achieve what they claim they will achieve, one has a right to suspect that their actions and choices are often not those that their ideologies and slogans might lead us to expect. When we see what else is involved, and why both the left and the right are often unfaithful to the ideologies they espouse, we will be able to come back to the familiar ideological debate and understand it better. And this in turn will yield a fresh perspective on the debates on supply-side economics and industrial policy.

The reader may ask, if something else is involved besides the role of government and the extent of income redistribution, what is it? What is the something else that must be there, obscuring or denying us a clear connection between the role of government and the speed of economic growth and making governments behave in ways that are not predicted by their ideologies?

Special Interests

My candidate for the role of the "something else" is a topic already discussed, the nature of collective action in society. The difficulties of collective action may seem unrelated to the determinants of the rate of economic growth or the standard of living of low-income people, but a close relationship will be evident when one considers the incentives that

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organizations for collective action confront. Let us suppose that some group has accomplished the very difficult and problematic task of organizing for collective action and that the group is organized to lobby the government or to act as a cartel in the marketplace to influence prices or wages.

What is the incentive facing this organization? One can see the answer best by considering an organization that, although it might have many members, is still only a small part of the whole country or society in question. For the sake of simple arithmetic, one can assume it is an organization that represents 1 percent of the income-earning capacity of a country. Suppose it is a labor union whose members' wages are in the aggregate 1 percent of the national income of the country in question. Or suppose it is a trade association of business firms that in the aggregate earn 1 percent of the national income.

Could this organization, representing 1 percent of a country, serve its members by increasing the efficiency and productivity of the country of which it is a part? In general, it is better to be part of a rich and efficient society than of a poor and inefficient one, so this is a logical possibility to examine. A lobbying organization could, for example, lobby for measures that would make the society in which its members live and work more productive and successful than formerly. Would it have an incentive to do this?

An organization that represented 1 percent of its society would receive on average only 1 percent of the benefits from increasing its society's productivity. If the national income of the United States rises by a billion dollars because some special-interest group that is organized for collective action wins more efficient public policies, the members of the special-interest group that represents 1 percent of the country will receive, on average, 1 percent of the benefits resulting from their action. But they will have borne the whole costs of their lobbying to improve the country. If they obtain 1 percent of the benefits of their action and bear the whole costs of their action, it will pay them to try to increase the society's efficiency and prosperity only if the benefits of that action to the society as a whole exceed the costs of that action by 100 times or more. Only if the cost-benefit ratio is better than 100–1 will an organization for collective action that represents 1 percent of the country serve its members best by trying to make the society more prosperous and efficient.

How then can a special-interest group best help its clients? By winning a larger slice of the pie—or the national income—that the society produces.

But, the reader may ask, if groups lobby for favors from government or if their members combine in the marketplace to obtain monopolistic prices or wages, will the economy not become less efficient and productive? Will the members of the special-interest group bear part of the reduction in the national income that comes from the inefficiencies brought about by their effort to capture a larger proportion of the national income? The answer is yes. In general, when cartelization occurs the efficiency and prosperity of the society are reduced. A combination or cartel will produce and sell less, and charge more for it, and that will make the society less productive and efficient. Similarly, special-interest lobbying will induce resources to crowd into the particular areas favored by the lobby-inspired legislation. So the special-interest organization's contribution to the national income—its marginal social product—is lower than it would have been in other areas, and the efficiency of the economy is reduced. In general, both cartelization and special-interest lobbying will reduce the society's efficiency and productivity.

The special-interest group, it will be recalled, represents 1 percent of the society, and its members will bear only 1 percent of the loss in national income or output that occurs because of the inefficiency that its activities bring about. The group's members will receive the whole of the amount redistributed to them—the whole of the increase in the size of their slice of the pie—but they will bear only 1 percent of the losses from the shrinkage of the pie. It pays this hypothetical special-interest group to seek to redistribute income to its own members even if this reduces the national income by up to 100 times the amount redistributed!

A society dense with organizations for collective action then is like a china shop filled with wrestlers battling over the china and breaking far more than they carry away. A society in which the difficult task of organizing collective action has been overcome in many sectors will be a society full of organizations that have little or no incentive to produce anything of value to the society. But these organizations will have great incentives to struggle to increase their share of what society is producing and to persevere in that struggle even when it reduces the output of the society by many times the amount that each group gains through distributional struggle.[9]

If the organization of collective action is difficult and problematic, and if only some groups have small numbers or access to the necessary selective incentives, it will take a long time for societies to organize for collective action. It will, in other words, take quite some time before many groups will have had the good luck and the good leadership needed to organize for collective action. Older and long tranquil societies should then be expected to be less efficient and dynamic than otherwise similar societies that have had less time to accumulate organizations for collective action. Accordingly, we have the testable implication or prediction that the long stable societies ought to be doing less well economically than would in general be expected.

The Theory Fits the Facts

Evidence abounds that long-stable societies are indeed not doing as well economically as would be expected. The society that has had the longest period of stability and immunity from invasion and institutional destruction is Great Britain. And, as the theory predicts, Great Britain has the poorest economic performance of all the major developed democracies.

The theory also predicts that if totalitarian government, revolution, or defeat in war destroys the institutional fabric of a society, including its special-interest organizations, that society will grow surprisingly rapidly, after a free and stable legal order is established. It will be relatively innocent of special-interest groups. Any such groups it will have are also likely to be relatively "encompassing" and therefore less of a problem for economic development than narrow special-interest groups.[10] Thus societies that have suffered the institutional destruction that eliminates special-interest groups ought to grow more rapidly than they would otherwise be expected to do.

The economic miracles of Germany and Japan after World War II are precisely consistent with this implication of my argument. In Italy, the institutional destruction in World War II, though considerable, was less complete than in Germany and Japan. The economic miracle in Italy, though there definitely was one, was correspondingly shorter and less sizable than those in Germany and Japan. This again is in accordance with the theory.

The theory also predicts that the parts of the United States that have been settled longest and have never been defeated in war would have poorer economic performance than those parts of the United States that have been settled most recently and have had less time to accumulate special-interest organizations. These areas perform less well than the recently settled West and the South, which was, of course, defeated in the

After jurisdictional integration abolished the local trade restrictions that had supported the guilds, production shifted to suburbs and to new towns as well as rural areas. The Industrial Revolution grew up mainly in new towns or suburbs of old towns in which the rules of guilds did not apply.

There is then much evidence, only a small part of which I have offered here, to show that the creation of common markets and large jurisdictions for setting economic policy brought startling changes in the pace of economic performance. There is, moreover, every reason to believe that the impressive economic performance that occurred in the cases noted above was possible in part because jurisdictional integration undercut the special-interest groups that thrived behind the protectionism, particularly in small jurisdictions.

Why Neither Ideology Explains Economic Performance

So there is "something else" that explains more of the variation in economic performance than does the scale of the government or the extent of income redistribution to the poor: the level of lobbying and of cartelization. Earlier, in discussing the proportion of the national income the government was consuming or handling in various countries, I pointed out that this proportion had no strong relationship with the rate of economic growth or the level of per capita income.

The first reason the size of government is insufficient to explain the variation in growth rates and income levels is that it overlooks an important force that impedes economic development. This is the force of cartelization, or the combination of firms and individuals in the marketplace that can maintain noncompetitive prices or wages, obstruct the free flow of resources, and slow the innovation that brings economic growth. In focusing on the role of government alone, the laissez-faire ideology is guilty of what I call monodiabolism, or singling out one enemy of the market as though it were the only enemy. Some cartelization can take place without the aid of government, as I claim to have shown with examples from China and India in *The Rise and Decline of Nations.*

The second reason the traditional ideological arguments do not explain the variation in economic performance across countries is that they neglect variations in the ways that governments operate. What a government does depends in large part on the extent of lobbying. Although a lobby-free democracy will not operate perfectly, it is likely to operate much more

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organizational power, on the other, suggests that most redistribution of income brought about either by lobbying of the government or by cartelization will not be redistribution to the poor. In fact, most redistribution is not toward the poor. The value of the money and goods transferred through the welfare system and other programs for the poor is only a tiny part of the government budget. Transfers in the forms of cartel prices or wages, tariffs, tax loopholes, and government subsidies are overwhelmingly directed toward the nonpoor. This is true in the United States and in many other societies as well. Such social expenditures as are directed toward the poor are not due mainly to the lobbying or political pressure of the poor but rather to the willingness of the nonpoor to allow such expenditures. The main sources of effective support for programs for the poor are the compassion of most people and their awareness that programs for the poor provide a measure of social insurance against personal and family catastrophes that could strike anyone.

Thus the third reason that the ideology of a government and the extent of its redistribution of income to low-income people are not closely correlated with economic performance is that most redistribution, and most of the distortions in market incentives due to such redistributions, do not involve the poor in any case. There is much argument about fairness and about how much should be done for the poor, but this argument has only a marginal effect on what societies do and on economic performance. Most redistributions are from the unorganized to the organized, and these redistributions are not closely related to the ideology of the government.

The fourth reason the familiar ideologies fail to explain economic performance is that redistributions to the poor usually damage incentives less than do redistributions to the nonpoor. This is true even when the redistributions are of similar size. The reason is that the poor are, on average, less productive than the nonpoor; they are likely to be people who have disabilities or who lack marketable skills; and they often are aged or are mothers without husbands. Although transfers to the poor and the taxes that pay for them have some adverse effect on incentives, these transfers usually reduce efficiency by less than do subsidies to the nonpoor.

When nations subsidize the nonpoor, they channel the time and energies of some of their most productive people and assets into less productive pursuits and thereby reduce social efficiency. Institutional arrangements that misallocate the labor of healthy males in their prime working years are damaging to the efficiency of a society, yet such institutional policies are common. Professional associations and public policies that control the practice of law and of medicine, for example, are costly to the society, because the time of some of the most highly educated and energetic people in the society is being misdirected, yet few areas of modern society are so rife with cartels, self-serving regulation, and other redistributions as the law and medicine. Tax loopholes that induce people to become tax accountants and lawyers divert some of the most able and aggressive people in the society from socially productive pursuits and induce much of the productive capacity of the society to move into tax-favored activities that are relatively unproductive for society. Yet such loopholes are becoming more numerous over time. Tariffs, tax concessions, and bailouts to major corporations divert or enfeeble some of the most productive enterprises in the whole economy, yet such schemes are increasing with each passing year.

The fifth reason the traditional ideologies fail to provide a good basis for predictions about economic performance is that the ideological rhetoric of parties and politicians does not reveal much about what they actually do. The right wing often advocates free enterprise and free markets. In doing this it performs a useful public service, since the advantages to society of competitive markets are usually underestimated by those who have not studied them seriously. Similarly, the left wing often advocates compassion and fairness. In so doing it strengthens the nobler side of human nature and makes our civilization more decent and sensitive to misfortune than it would be otherwise.

The problem is that most right-wing parties and politicians do not spend most of their time freeing up markets and that most left-wing parties and politicians do not spend most of their time aiding the needy. In long-stable societies such as the United States most political activity on both the right and the left is devoted to the purposes of the organized interests rather than to free markets or to the needs of the poor. The organized interests that support right-wing parties are usually from business and from the professional and prosperous classes. These organized interests will normally be rewarded when a right-wing politician is victorious. The distortions of market incentives that result when such groups are rewarded with tax loopholes, tariffs, and monopoly rights for the professions are particularly damaging to economic efficiency precisely because the beneficiaries of these rewards often possess unusually valuable abilities and assets. Similarly, when the left is victorious, the payoffs will usually be to the organized interests that have been the sources of the campaign contributions and lobbying pressures. Most politicians on the left spend much of their time working for their paying clients. These include cartels of workers, teachers, and other public employees and frequently special interests from the most prosperous segments of the society that have made campaign contributions, often to both candidates on both sides of the ideological divide. Thus the ideological debates do not give us a good basis for understanding economic performance because they are an imperfect guide to what either right-wing or left-wing governments mainly do.

If what I have said here is true, the ideologies of both the left and the right, with their untiring emphasis on the role of government and on redistribution of income to those with lower incomes, are insufficient to guide modern society. They focus almost exclusively on problems and issues that, although significant, cannot explain the main variations in the fortunes of different societies or the fluctuating progress in different periods. They also obscure other problems that may even prove fatal to modern society. Worst of all, these ideologies leave the impression that the great trade-off is between equity and efficiency. Although occasionally there can be tension between these goals, as between any others, they are not often in conflict today. The resources our society diverts to those with organized power go mainly to those who are already well off.

Rational Ignorance and Fads in Public Policy

This paper began with the idea that the typical citizen, because of the logic of collective action, is rationally ignorant about many aspects of public affairs. Given the cost of acquiring information about public policy, it is understandable that many citizens use the familiar and simple left- or right-wing ideologies for making decisions about public affairs. The limited explanatory power of each of the familiar ideologies is entirely consistent with the notion that they are more often devices for avoiding careful research and reflection rather than embodiments of detached observation and careful thinking about the experience of nations and peoples. The attraction that one or the other of the familiar ideologies holds for many professional students and participants in public affairs shows that rational ignorance cannot be the whole explanation of the attraction of the familiar ideologies, but it is part of the explanation.

There is further evidence of the role of rational ignorance in explaining beliefs about public policy in two fashionable additions to the familiar ideologies in the 1980s: supply-side economics and industrial policy. I shall

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argue in the next two sections that these two extensions of the right-wing and left-wing ideologies, respectively, are better evidence for rational ignorance than the ideologies themselves.

Supply-Side Economics

Occasionally, the label supply-side economics is used in such a broad way that it encompasses what essentially all competent economists, whether on the right or the left, have known since Adam Smith: that the pattern of incentives in a society has a great effect on its efficiency and level of production. In the 1980s, however, this label was used to identify a much narrower doctrine than this. It was the novel notion that, in the United States, cuts in overall tax rates would so greatly increase the amount of labor and saving that tax collections would increase. This notion was, on more than one occasion, explicitly accepted by President Reagan; in large part it inspired the tax cuts he advocated and obtained early in his administration.

Statistical and econometric evidence about the response of labor and saving to changes in posttax wages or interest rates is not the kind of information that the typical citizen would acquire because of its entertainment value. Complex econometric information and economic theory are not presented even in economic newspapers such as the *Wall Street Journal.* If they were, the editorial board of the *Wall Street Journal* would not have expected tax cuts to be self-financing, but that newspaper would no longer have a wide circulation.

Thus a huge democracy and its communications media can largely ignore information that is essential to rational policymaking, even about issues of surpassing importance. This happens even when almost all competent specialists, whether on the right or the left, agree about the evidence. The majority of competent economists never expected that the Reagan tax cuts would be self-financing. Even most economists who were strongly identified with the right-wing agreed that supply-side economics was not consistent with the quantitative evidence about the supply of labor and of savings. The tax cuts were nonetheless passed, and the nation is now burdened with a huge and harmful structural deficit. Experience has confirmed that supply-side economics was as baseless as almost all economists had said it was, yet even now it retains some journalistic and political support. This is mainly a consequence of rational ignorance. Rational ignorance also explains the power of lobbies and cartels; if all citizens had

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complete information and understanding of all public issues, lobbying would have no effect and cartels would not be tolerated.

Industrial Policy

Industrial policy, like supply-side economics, means different things to different people. The publications I have seen advocating industrial policy are vague. Some are so vague that they invite the response that industrial policy is neither a good idea nor a bad idea but no idea at all—that it is the grin without the cat. Nonetheless, most of the proposals for an industrial policy with which I am familiar have three common features.

The first feature is a tripartite board with representatives from business, labor, and government that would determine, or at least make influential recommendations about, the industrial policy. The second feature is a bank—in some proposals explicitly compared to the old Reconstruction Finance Corporation—that would have access to government-guaranteed or government-financed credit and thus could make subsidized loans. These loans would be combined with temporary protection against imports or other government subsidies that the tripartite board could recommend or establish. They would serve as an incentive to persuade the firms and unions singled out by the board to adopt the reforms recommended by the administrators of the industrial policy. The third feature of the proposals is that the tripartite board would focus on industries in trouble, often because of foreign competition, or it would seek out high-technology industries deemed to be especially promising, or it would take both of these approaches.

I turn first to proposals to help industries in trouble. In the United States today these industries most conspicuously are the ones that have been around a long time. Often they are important in the old industrial regions of the country. Clearly, the steel and automobile industries are among those in trouble. These industries have been around a long time; indeed, the United States was for quite some time the world's leading producer of steel, and it once manufactured four-fifths of all the world's automobiles. The apparel, textile, footwear, and farm machinery industries are also having trouble competing with imports. These industries too have a long, often illustrious, history.

By contrast, new industries in the United States are doing relatively well. America has a significant lead over the rest of the world in computers and in most high-technology fields, and it is doing well in relatively new industries such as aircraft and jet engines.

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As already noted, older societies and regions that have had long periods of stability in which they have organized distributional coalitions tend to do less well than newer or recently stable regions that have had less time to accumulate institutional sclerosis. This suggests that similar processes may be at work differentiating old and new industries and firms.

A closer examination reveals that this is precisely the case. The U.S. steel industry, for example, has a long history during which it became accustomed to high levels of collusion and cartelization, among both the firms and the workers. For a long time the "Pittsburgh plus" system of cartel pricing prevailed. Under this system the cartel enforced its price for steel by requiring that all firms charge the same price. Discounts that could be hidden by variations in transport costs were prevented by the rule that all steel sold had to include the cost of transportation from Pittsburgh, even if it was produced elsewhere. The "big three" automobile companies similarly appear to have avoided all-out price competition for extensive periods, and their labor force also enjoys a monopoly wage one-half to two-thirds above the average of wages for American manufacturing. Similar examples could be cited in many other industries and firms.

It should be obvious from observations of the American government as well as from the foregoing argument that existing organized interests will greatly influence the selection of the members of any board or agency that implements an industrial policy. Indeed, some proposals for an industrial policy institutionalize and magnify the influence of established lobbies by stipulating that the governing board be composed of representatives of business and industry as well as of government; they propose that the very foxes that have been stealing the strength of our economy should be put in charge of the chicken coop. It is no coincidence that some proposals for an industrial policy have drawn powerful support from established business and labor leaders. These proposals would protect the established interests that are the main source of our economic problems from competition with new firms, new workers, and new countries.

Those proposals for an industrial policy that would allocate capital on preferential terms to promising new firms in emerging industries must explain how they would ensure that the lobbying power of established and often declining industries and firms would be kept at bay. The "sunrise" industries and firms cannot lobby until some time after they have been established, and they cannot compete politically with established interests.

Advocates of industrial policies should also explain why a government board or agency would allocate capital more effectively than the people

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and firms that are investing their own money. A vast amount of evidence indicates that it is precisely in areas of high uncertainty and risk that governmental bureaucracies are least useful. Some of the most promising ventures and technologies will fail, and the official who lends public monies to an undertaking that fails will risk notoriety. Even the rationally ignorant may learn of a spectacular failure, but they may not take the trouble to note that investment plans that exclude innovations risky enough to have a significant chance of total failure are unlikely to generate any major advances. The official who bets on the risky venture will not receive the profits if the venture succeeds but will normally be in trouble if the venture fails. Government investment programs therefore are almost always too conservative. It is in the areas of uncertainty (such as high technology and new industries) that private venture capital has the greatest advantage. The government can best promote science and technology by providing the public goods of pure research that the market will not provide and by creating an environment that is open to every kind of new enterprise and innovation, foreign or domestic.

Rational Ignorance Means Nonsense Is Taken Seriously

Thus the left-liberal advocacy of industrial policy is distressingly similar to its right-wing counterpart, the notion that tax cuts are self-financing. Like the better-known versions of supply-side economics, the industrial policy proposals are mainly manifestations of the difficulties that the rational ignorance of the typical citizen generates for modern democracy.

The examples of supply-side economics and industrial policy illustrate a great obstacle that limits the use of the knowledge generated by professional research in public policymaking. Because of rational ignorance, the ideas that will have the most political appeal are by no means necessarily those that will have the greatest value to society. Rather, they will often be ideas that are appealing on casual examination. The typical citizen has no incentive to engage in the sustained research and hard analysis that is often necessary to see through unwise policy proposals or to understand the case for the best available proposals. The average citizen also has no incentive to undertake inquiries that would reveal how much he or she may lose from special-interest legislation or cartelistic pricing. Many of the average citizen's ideas about what is in the national interest are derived indirectly from the propaganda of organized interests.

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Politicians, no less than the rest of us, are normally interested in career advancement and job security. They are, like the rest of us, usually sincere in hoping that all will be well for their fellow citizens. Politicians accordingly often face a dilemma. Since they are professionally concerned with public affairs, they have much more incentive to acquire information about public affairs than the average citizen does; it is not usually rational for them to be ignorant. Yet they are elected, or defeated, mainly by those who are rationally ignorant. Thus decent politicians face a dilemma. They can work hard at finding good policies and trying to get them adopted. But this may not serve their career interests, which would sometimes be better served if they sought campaign contributions from organized interests and presented superficially attractive policy proposals.

Although there are no panaceas that will solve the foregoing problem, there are some ways of making it less serious. But diagnosis precedes prescription, and the treatments needed for this chronic ailment must be left for another paper.

NOTES

1. For a full statement of this logic and supporting evidence, see Mancur Olson, *The Logic of Collective Action* (Cambridge: Harvard University Press, 1965).
2. Ibid., 51 et passim.
3. Anthony Downs, *An Economic Theory of Democracy* (New York: Harper and Row, 1957).
4. David Smith, "Public Consumption and Economic Performance," *National Westminster Bank Review*, 1975.
5. Erich Weede, "Democracy, Creeping Socialism, and Ideological Socialism in Rent-Seeking Societies," *Public Choice* 44 (1984): 349–366.
6. Kwang Choi, *Theories of Comparative Economic Growth* (Ames: Iowa State University Press, 1983).
7. Samuel Brittan, "How British Is the British Sickness?" *Journal of Law and Economics* XXI (October 1978): 245–268.
8. Many relevant studies on the relation or lack of relation between the ideology of governments and the distribution of income are summarized in Erich Weede, "The Effects of Democracy and Socialist Strength on the Size and Distribution of Income," *International Journal of Comparative Sociology* 23 (September-December 1982): 151–165. See also Simon Kuznets, *Modern Economic Growth: Rate, Structure, and Spread* (New Haven: Yale University Press, 1966); Malcolm Sawyer, "Income Distribution in the OECD Countries," OECD Occasional Studies (Paris: Organization for Economic Cooperation and Development, July 1976); and Sridar Hajra, *Trends in Income Distribution: A Comparative Study* (New Delhi: Economic and Scientific Research Foundation, 1971).
9. The argument I have just put forth is casual and incomplete. It is stated completely and

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carefully in Mancur Olson, *The Rise and Decline of Nations* (New Haven: Yale University Press, 1982). The skeptical reader is invited to check every step of the logic of my argument in that book. What has been set out here should be sufficient to call attention to some testable implications or predictions of the argument that can be compared with reality.

10. Ibid., 47–53.

11. Ibid., chaps. 5 and 6.

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Comment

Newt Gingrich

Reading Mancur Olson's paper, I could not decide whether to respond as a politician, a citizen, a historian, or a "showboat," taking cheap shots. It was tempting to respond as a showboat, but I could not help but think about Lucky Jim and the whole American professorate and the degree to which I would like to challenge the paper.[1]

At the outset, however, let me say that I agree strongly with Olson's central thesis: there are structures of organized power that over time strangle the opportunity to innovate. In a world of change these structures are extraordinarily destructive. Olson is right. Some of us in Congress will continue talking about a corrupt, liberal welfare state and using language similar to his. Books such as *City for Sale*, about New York City, and *Honest Graft*, about the U.S. Congress, elaborate on the points that he makes—correctly, I think.[2] Nevertheless, I disagree with him at several levels.

First, he writes as an economist, and I think that is a major error when one is trying to understand how humans function. I have to confess my bias. Until I dropped out of college to manage a congressional campaign, I was a political science major. I dropped political science and became a historian. The reason was that, in politics as practiced, I found the social sciences to be too narrow in the slices of life with which they deal. To give an example, Olson refers to econometric projections of supply-side economics. In fact, one of the principal arguments of supply-side economics is that econometric projections are irrelevant; therefore, it should not be surprising that economic projections do not show exactly what supply-side economics produces. The reason is simple: at the core of supply-side economics is the idea that human beings tend to be motivated by exceptional changes in their culture and psychology and therefore behave differently in reaction to those changes. Using econometrics is somewhat like taking a slice of tissue, looking at it under an electron microscope, and trying to describe a frog. Econometrics tells us about the slice under the microscope; it does not explain the frog. The frog is alive. The mi-

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croscope is an apparatus with which to study things that are dead. The principal argument of the supply-siders is a social studies or humanities argument, not an economic argument, and most economists will admit that.

My second objection is that no current economic theory relates to the world financial market; therefore, all models of gross national product are irrelevant. The reason the economists were wrong throughout the 1980s is that they tried to apply nation-state models to global financial systems. They were consistently wrong because one cannot talk about liquidity or capacity being pushed when dealing with world capacity. In any country with a relatively open economy, and, say, a 90 percent rate of factory utilization, that country will be increasing imports from Hong Kong. This will not necessarily create an inflationary spiral. Use of all the underlying global models is similar to having somebody trained on a DC-3 jump into a 747 and yell, "I'm ready!" It is not the same business; it is not the same technology; and the equations are not the same.

Third, the main lesson I have learned as a politician goes back to something I had experienced but had not understand intellectually until I read Gary Wills's book, *Inventing America*.[3] To paraphrase Wills, no modern historian can explain George Washington because all modern historians are rational in their attempts to explain how people function. Washington's effect on the country was outside the rational. It was mythic—a function of who he was, of how he behaved, and of how he communicated belief, stability, and authority.

As a historian studying leaders such as Mao, Lenin, Washington, Jefferson, Lincoln, and Theodore Roosevelt, I have concluded that the underlying power of human will and imagination, the power of what is forged by experience, is closer to poetry and fiction than to fact and reason. To give an example, the best study of Lincoln, in my judgment, is Gore Vidal's *Lincoln*.[4] Although it is a novel, it gives the practicing politician a sense of the frustration and the difficulties that Lincoln experienced. He operated in a world not of rational linear projections nor of logical steps but in a world that resembled a complex ballet in which events happened simultaneously. That is what politics was and is all about.

We do not have language to explain that reality. In fact, most academics beat to death those with enough creativity and breadth of vision to try to talk outside rational speech. Those faculty members who do not fit the mold will not get tenure; they will not be promoted.

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A good example is the U.S. Navy's entry into the Persian Gulf in February 1987. The major question then was whether the Iranians would use Chinese shore-to-ship missiles. That was not the right question, however, because the Iranians never intended to use those missiles. Mines were their first line of defense. The U.S. Navy did not send to the Persian Gulf mine sweepers or helicopters that could sweep for mines. The Navy was mesmerized by high technology and ignored the low end of the fight. Those of us in Congress who were knowledgeable about the Navy anticipated what would happen. We did not necessarily know that Iran would use mines, but we knew that it operates in clumsy ways.

People who study the way life really works understand that it is better to overpower by sheer mass and effort. The West was won with great sloppiness, with massacres and starvation. It was not won elegantly by nine people from the Kennedy School of Government. During the invasion of Normandy it was necessary for the Allies to apply so much force because victory was uncertain. I mention these examples as background because our academic and intellectual environments have withdrawn from the fundamental realities of life. Life is sloppy and hard and complicated.

I am not sure then that it is fair to say people are stupid because they consciously get only the information they need to trigger the checkoff mechanism they want. (Those who doubt that should try reading every label the next time they walk through the grocery store.) Everybody exists in a world of selective information, not of rational ignorance.

I would argue that we will achieve a high voter turnout when we learn to send signals, in brief bites, that use code words that matter. Lincoln's "splitting the rails" and McKinley's "full lunch pail" and the "war hawks" of 1812 are good examples of our great tradition of using political code words. People have always communicated in short slogans. "I love you" is a short slogan. It may have a long marital contract behind it if you live in California, but it is a short slogan.

Industrial Policy

I agree with Olson that the supply-side model, as he describes it, does not work. Nor does the industrial-planning model. I am not convinced, however, that their failure leads to his ultimate conclusion. I believe that we do have an industrial policy. Olson cites two areas dominated by the United States—computers and jet engines. We are strong in these areas, frankly, because the U.S. government cheated, giving money without contracts through agencies such as the Defense Department. And that de-

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partment (and its antecedents) has had an industrial policy at least since the 1890s. The reality is that this country has always cheated. What we said to other countries is, "We will spend massively on research and development. You, however, should not spend anything on research and development, and then let's have fair trade."

If one reads the German critiques of Adam Smith from about 1820, one will discover that the Germans, who tried to build up industry in competition with Great Britain, understood exactly what the British were doing. The British, with their greater capitalization, established leadership, and efficiency in manufacturing, also had access to raw materials from their empire; they were well positioned to take advantage of a free-trade European economic organization.

In the twentieth century, for example, say, the United States invents the computer and mass produces it through the Defense Department. This is not an industrial policy, you understand. Or, say, the United States produces the B-47, the B-52, and so forth, and then tells Boeing, "If you want to use the same technology, we do not object." Who is kidding whom?

Of course, we have a high-tech industrial policy. It does not figure in a model because it is obscure and outside the norms, and nobody can figure out how to turn it into pork barrels. The minute it is turned into pork barrel, it will become exactly what Olson describes: a defense of the past rather than an invention of the future. The reason for this is that the only people who can get organized are those who already exist, and they tend to crowd out those who come later. I agree with Olson's analysis on that point. But the United States does have an industrial policy, and it works. Only in the 1960s did the United States begin to decay. But that is the topic for another discussion.

Ideological Shifts

I think the United States is in a period of ideological shifts. In a Hegelian sense, it is moving toward synthesis.

On the right we have been arguing that we have to move from an opposition conservatism, largely characterized by its definition of what went wrong with the Great Society and afterwards, to a governing conservatism. That is to say, "If we conservatives had absolute control, what would we do?" Let me give an example. People will say, "I am a Jeffersonian conservative," a code phrase, in the South at least, that means agrarian, small government. Nonsense! Thomas Jefferson sent a scientific expedition to the Pacific, he sent the Marines to the shores of Tripoli without congres-

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sional permission, and he bought half a continent without telling Congress the details. I tell my friends, "I am happy to limit myself to Jefferson's scale: we will do nothing larger than the Louisiana Purchase."

An activist conservatism can be nonbureaucratic. The reason I say this is that since the late 1950s, because of the way the left has defined government, the argument has been—as Olson describes it—between big government and small government. As a historian, I think this argument is nonsense. For example, one cannot explain the rise of eastern Asia without Confucian culture. The combination of the Confucian focus on learning and extended family values with hard work and discipline explains why every single one of the eastern Asian countries is working. The People's Republic of China will grow rapidly in the next thirty years. The more the Chinese allow the market to direct their energy, the more rapidly they will grow. Their cultural values are ideal for the information/industrial age. Confucian China created the right cultural framework for a world in which knowledge matters.

In New York Asian families open grocery stores. In California they send their children to Cal Tech. Because they invest in the future, they reap huge benefits. Their sense of the past and the future is a cultural phenomenon. The great failure of nineteenth-century Britain, which led to its collapse, is a cultural phenomenon. The British aristocracy and the cultural snobbishness that worked during the beginning phases of industrialization could not be broken up at a class level to produce the kind of education that originated in Germany. The German system, which entered the United States through Johns Hopkins University and the University of Chicago, gave us the modern system of industrial engineering and science. At that point the British began a decline that was interrupted under Margaret Thatcher, which is why Thatcher is, more than anything else, a cultural politician. *Mrs. Thatcher's Revolution,* a critical but serious study of what she tried to accomplish, demonstrates that she is a cultural phenomenon more than a political phenomenon.[6]

What the United States needs is a synthesis. I mean by this a synthesis of a governing conservatism. We need to shift from a corrupt, liberal welfare state (corrupt in the sense that Olson describes it because it has lost the purposes that legitimized its creation) to an honest, conservative, opportunity society—from corrupt to honest as a fundamental standard. This would be a fundamental change comparable to the shift that occurred from Regency England to Victorian Britain. It would be a change com-

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parable to the switch from living as a dandy in a ribald society to living in a staid, middle-class society.

We are seeing a shift from liberalism in the post-World War II sense of the word. This was the sense of the word epitomized in Lyndon Johnson's Great Society. Liberalism achieved two great things after World War II (other than keeping us involved in the world). It decolonized the Third World and it ended segregation in America. Liberals should be proud of those enormous achievements. Liberalism also did some very unintelligent things. The worst was bringing about the inner-city welfare system, which has nearly destroyed the poorest third of our country's black population and created an underclass, a great tragedy in human suffering. We must continue the shift from liberalism to conservatism in its broadest sense. (For example, schools should give diplomas only to students who can read them. We need very fundamental changes in education.)

Another recent shift is the result of a recognition of core American values that predate 1965. We must shift governmental focus from welfare, which is designed to prop up the weak, to opportunity, which can strengthen the ability of the weak to climb. Consider the nonbureaucratic activism of Theodore Roosevelt. He could be extraordinarily inventive. He could go on a hunting expedition to benefit the American Museum of Natural History as surely as he could expand the Smithsonian Institution, and he thought both were legitimate activities. He saw the presidency as a "bully pulpit" from which the president could arouse the entire nation.

The Failure of Politics

The failure of American politicians, the intellectual elite, and the news media since the late 1960s has been a failure of our elites to work hard enough, to think long enough, to do the job. We ought to be asking ourselves, "Why have those of us in charge done such a poor job at thinking through and creating a political atmosphere that results in 50 percent of the American people failing to vote?"

Politics is the only industry in America where, in 1988, when only 51 percent of eligible Americans voted, we blamed the people who did not show up. Can you imagine a McDonald's meeting after 51 percent had rejected the Egg McMuffin? Would the managers have asked why the consumers were so stupid?

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What we are seeing is the collapse of politics as an art form. Politics, I would argue, is the most difficult art form in a free society other than fighting a civil war. When the great political machines died, we lost the apprenticeships that teach this difficult art. The result is that because our political leaders are anemic in practicing their art we are not able to create a product line, an agenda, that says to average Americans that voting is worth an hour of their time, that their ballot will sufficiently change the lives of their children and of their own and their neighbors' families that it is worth an hour of time. I think a strong civic discourse is the duty of the elite. We need people who aspire to public service and are willing to subordinate their time and energy to learn the trade. Anybody can play, but they have got to be willing to pay the dues.

Three groups should be taken to task: the politicians (not just people in politics, but all who participate), the news media, and the intellectuals. These three groups have failed the American nation. Their job should be to create an ideology that gives the nation a clear direction worth gambling with for a generation.

NOTES

1. Kingsley Amis, *Lucky Jim* (Garden City, N. Y.: Doubleday, 1954).
2. Jack Newfield and Wayne Barrett, *City for Sale* (New York: Harper and Row, 1988); Brooks Jackson, *Honest Graft* (New York: Knopf, 1988).
3. Gary Wills, *Inventing America* (Garden City, N. Y.: Doubleday, 1978).
4. Gore Vidal, *Lincoln: A Novel* (New York: Random House, 1984).
5. The most useful book I have read on Churchill is Robert Rhodes James, *Churchill: A Study in Failure, 1930–1939* (London: Weidenfeld and Nicolson, 1970). It argues that if Churchill had died before 1939, or if Hitler had not attacked Poland, Churchill would have been considered deranged and few would have paid attention to him.
6. Peter Jenkins, *Mrs. Thatcher's Revolution: The Ending of the Socialist Era* (Cambridge: Harvard University Press, 1988).

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served so ably for many years on the House Ways and Means Committee staff and who is an astute consumer of good policy analysis, at one point became so discouraged that he concluded gloomily that maybe all this research was a waste of time because nobody paid any attention to it.

In sober retrospect it is clear that was not the case. Welfare reform, as it was then conceived by most academicians, did not pass. But that was not just because the standard prescription of extending welfare benefits more broadly over all poor people ran afoul of public distaste for welfare caseloads. The very research that grew up around the reform effort suggested that there were some negative side effects of transfer payments, not big ones but effects that were large enough to be worrisome to policymakers rightly concerned about strengthening families and work effort.

The direction that welfare reform has taken since the late 1970s has been quite different from what was envisioned by the reformers of the 1960s. The emphasis on work effort and personal responsibility is for the good. The research techniques and even some of the substantive and administrative findings from the welfare reform studies have been applied to reforms of other transfer programs, such as food stamps and unemployment insurance. Good research knows no party: these findings have been useful to policymakers in both Republican and Democratic administrations. Joe Califano drew on them under Jimmy Carter, but so did David Stockman under Ronald Reagan.

Science and technology cannot always triumph over superstition and ignorance. An even more potent foe can be good intentions. The Agent Orange case pops to mind. I spent a great deal of time exploring and editorializing about this issue in the early 1980s. It caused me anguish because, this time, science did not support the original idea of where the equities lay.

Agent Orange was a defoliant used by the Army to make it harder for the Viet Cong to hide in the thick underbrush of Vietnam. From a P.R. standpoint Agent Orange was a disaster: It was used in an unpopular war; it was produced by an unpopular industry; it raised the ugly specter of chemical warfare; and some batches of it contained traces of dioxin, a deadly poison.

But, as I discovered when I dug into the issue, dioxin, contrary to most of what has been written, is not an ingredient in Agent Orange. It is merely an unwanted byproduct of the production process, produced in minute quantities in some batches when quality control was sloppy. Moreover, dioxin is quickly dissipated in sunlight, especially when present in an air-

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borne spray. It has never been known to cause organic damage in humans without first inflicting them with chloracne, a disfiguring skin ailment that, it turns out, only a handful of Vietnam veterans have ever suffered.

No hard scientific data suggest that even the GIs most directly involved in handling the defoliant suffered from Agent Orange exposure. Like the rest of us, Vietnam veterans suffer from many war-induced ailments and many non-war-induced ailments. But as a group they and their offspring are measurably healthier than the general population. Even as the scientific studies piled up showing no Agent Orange effect, sympathy for the veterans and their families—some of whom, just like families of nonveterans, had a variety of genetic and acquired disorders—poured in. Finally, the chemical companies set up a fund under a settlement presided over by a judge who frankly admitted there was no scientific basis for the claims. So science cannot necessarily emerge victorious on a highly emotional issue. In this case at least some rough justice was served.

Rational study and analysis can have their triumphs over special interests as well. The biggest score of the late 1980s was the 1986 tax bill. It is true that the bill was far from perfect. The "bubble" tax schedule that put people earning between roughly $50,000 and $150,000 in a higher tax bracket than those earning $5 million was a shameful political compromise and an affront to every principle of equity known to tax analysis. The bubble was shifted upward somewhat in the 1990 tax and budget bill, but it persists. The big failure of the 1986 bill was that it did not raise enough revenue. But it was certainly a triumph over the well-heeled special interests that had set up housekeeping in the tax code over the years.

How, then, can Congress obtain more of this good analysis and, even more important, how can it learn to heed it? Although there is no magic formula, I offer three rules of thumb for members of Congress.

Learn the rudiments of analysis. Learn how not to be fooled by shifting bases in charts that make climbs seem sharper than they are; by percentage comparisons in which it is the absolutes that matter, or vice versa; by figures that look large or small only because the numbers they are being compared to have grown or shrunk. There are many tricks, but not so many that you cannot pick them up in an afternoon or two.

Do not believe everything you read in the newspaper. At least, do not believe everything in the nonspecialist press. Particularly, do not pay attention to stories that pretend to touch all the bases in the name of

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"balance" and "fairness." Remember that reporters, at least those at any decent paper, are under pressure from their editors to give both sides of an issue. Unless they are specialists in the subject (and covering an issue for a couple of months does not necessarily make anyone a specialist at anything other than how to get a quick, playable quote), reporters may dutifully consult any readily accessible source on the "other side" and give the same credence to the most crackpot analysis as to the most carefully considered and researched.

Seek out both sides of an argument. Talk to the best people on both sides, and make an honest effort to hear and understand the other side. Herb Stein, Council of Economic Advisers chairman under Nixon, once said that the hardest, almost impossible, thing he tries to teach his policy analysis students is to lay out all the options honestly rather than putting the option they like best in the middle and surrounding it with two losers. If I learned anything as an editorial writer—where writers daily face the brickbats of anyone who feels offended or misrepresented—it is that proponents of the other side are always worth listening to. Often, they will change your mind at least on some point. And sometimes, if you listen carefully and ask the right questions, you will even change theirs.

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Contributors

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Swords and Plowshares (1968), *The Coming Water Famine* (1966), and *You and Your Congressman* (1965).

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