BOOK REVIEWS

Getting It Right: Markets and Choices in a Free Society
Robert J. Barro
Cambridge: MIT Press, 1996, 191 pp.

It seems that everyone now believes in free markets. Former communists proclaim themselves to be capitalists, the Pope denounces the welfare state, and even President Bill Clinton says the era of big government is over. But why should people believe in free markets? Robert J. Barro, an economics professor at Harvard University, helps answer that question.

"A dominant theme" of *Getting It Right*, explains Barro, "is the importance of institutions that ensure property rights and free markets." He begins with the issue of economic growth, which overwhelming experience demonstrates depends on economic freedom. But rather than stating the obvious, Barro explores a slightly different issue—what political and other national characteristics are also related to prosperity.

Particularly interesting is his analysis of the impact of democracy on economic growth. While economic and political freedom are linked, their relationship is complex. Observes Barro: "More political rights do not have an important impact on growth, but improvements in a broad concept of the standard of living tend strongly to precede expansions of political freedoms." In short, economic freedom, by encouraging prosperity, does more to promote democracy than political rights do to encourage capitalism.

Indeed, Barro warns that as political freedom grows, so does the tendency of the state to meddle in the economy, thereby slowing growth. In some circumstances he finds a slightly *negative* impact of democracy on prosperity: "There is some indication of a nonlinear relation in which more democracy raises growth when political freedoms are weak but depresses growth when a moderate amount of freedom has already been attained." The basic problem is that demands for income redistribution and special-interest privileges tend to rise as a nation's democracy grows more robust. And those policies will slow down growth. Explains Barro, "the required increases in marginal tax rates and other distortions inevitably reduce the incentives for investment, work effort, and growth," while

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special-interest transfers "create economic distortions that hamper growth."

He goes on to review some of the other factors that affect growth rates. For instance, he looks at whether there is an optimal size for a nation. Although he finds "no relation between the growth or level of per capita income and the size of a nation," he concludes that there is a basic trade-off: "a large country is . . . likely to have a diverse population that is difficult for the central government to satisfy," which may lead to the creation of interest groups that lobby the government to redistribute income. Smaller countries, on the other hand, tend to be more open to international trade and more homogeneous, which means that there is less pressure on the government to redistribute wealth. His main conclusion thus may be that smallness, per se, provides no impediment to a country to experience sustained economic growth—provided that country remains open to international trade. But, again, that is also one of the conditions for large countries.

Intermixed with his economic analysis are thoughtful musings about the appropriateness of secession, including in America. He supposes that Washington's reflexive opposition to secession in other countries in part reflects an unwillingness "to reconsider whether the enormous cost of the Civil War in terms of lives and incomes was worth it." As he rightly observes, the conflict was much more over union than slavery. Was the originally unintended elimination of the odious practice nevertheless sufficient to justify the conflict? No, he answers: "Everyone would have been better off if the elimination of slavery had been accomplished by buying off the slaveowners—as the British did with the West Indian slaves during the 1830s—instead of fighting the war." Rare is it to find economic analysis so leavened by sophisticated historical understanding.

It is not only the Civil War where Barro rejects conventional wisdom. While the United States and other Western governments spent most of the 1980s pressing banks to restructure and reschedule the debt of Third World states, Barro contends that such de facto defaults harmed the international credit markets, and thus, ultimately, the borrowing states. Writes Barro: "Instead of encouraging defaults and easy bankruptcies, the best thing that the U.S. government could have done for world development over the past twenty-five years would have been to use all legal means, including seizures of foreign goods, to ensure the repayment of legitimate international claims. It is only this kind of tough enforcement policy by lenders that ensures access to credit by poor countries (or poor individuals)."

Barro also devotes a great deal of attention to financial and monetary policy, with an emphasis on Latin America. Argentina and Mexico, he observes, involve "two countries that began on similar paths but then moved in very different directions." Whereas Mexico's approach to monetary policy continues to be highly discretionary and thus unstable, Argentina's currency board has provided an institutional framework for price stability. Barro's advice to central bankers everywhere is "to control nominal variables so as to provide for a stable framework within which the private economy gets accurate signals and can therefore make efficient allocations of resources."

Even more intriguing is his comparative analysis of the economic report cards of U.S. presidents and British prime ministers. He rates the politicians on the basis of the change in the misery index—the inflation rate added to the unemployment rate. Of presidents starting with Harry Truman, Ronald Reagan ends up at the top and Jimmy Carter at the bottom. Barro's results for Great Britain, starting with Winston Churchill, are more surprising—Laborite James Callahan is the best, while Margaret Thatcher, who succeeded Callahan, is only seventh out of ten. The much-maligned John Major is number two.

Beyond those serious, lengthy chapters are a series of delightful short essays. What is the leading monopoly in America today, he asks? The Postal Service. Happily for its customers, competition has been steadily eroding its position. Concludes Barro: "Thus, despite past glories, it is hard to be sanguine about the long-term prospects of the post office as a flourishing monopoly."

He writes about tax amnesties and school choice. The latter, he observes, is "a promising way to deliver improved education, especially for children from poor families." He offers a fascinating look at the factors, such as state laws, local unionization, and average Republican Party vote, that influence the decision to privatize public services. He writes about second-hand smoke, the Endangered Species Act, the economics of baseball, and some of his "Chicago School" colleagues.

Only on term limits does Barro go seriously astray. "To economists, term limits sound like minimum wages, rent controls, and similar interferences with free markets. In each case, the government tries to prevent a mutually advantageous trade." But legislative elections reflect political, not economic, decisions; term limits merely adjust the rules of the winner-take-all political game to promote a better result.

Moreover, Barro, for all his economic astuteness, does demonstrate a rather charming political naivete. He seems surprised to find that some of his liberal friends would prefer to make everyone poorer if doing so would reduce income inequality. He observes: "Apparently some people view the presence of wealthy people as similar to environmental pollution. One can only hope that this class-warfare mentality is not the driving force behind most policy decisions in Washington." What, pray tell, does he think is the driving force behind most policy decisions in Washington today?

Nevertheless, *Getting It Right* is a wonderful book. Simultaneously perceptive and readable, it addresses economists and non-economists alike. It should be mandatory reading for those in Washington making the decisions upon which Barro comments.

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A License to Steal: The Forfeiture of Property
Leonard W. Levy
Chapel Hill, N.C.: University of North Carolina Press, 1996, 272 pp.

During the Constitution's ratification debates, a Pennsylvanian writing under the pseudonym "Old Whig" described civil-forfeiture proceedings as "modes of harassing the subject." He recognized that such proceedings "are undoubtedly objects highly alluring to a government. They fill the public coffers and enable government to reward its minions at a cheap rate."[1]

Old Whig's wary assessment of civil forfeiture—the government's practice of seizing property suspected of wrongful use—rings as true today as it did in 1787. Leonard Levy's *A License to Steal* catalogs numerous instances of property seizures that, on almost any scale of justice, amount to criminal behavior by government agencies. Consider, for example, Billy Munnerlyn's fate.

Operating an air-charter service, Munnerlyn flew a passenger, secretly carrying $2.7 million, from Arkansas to California. The DEA seized the passenger's cash and Munnerlyn's Lear jet on suspicion that both were tied to the drug trade. Although charges were dropped against Munnerlyn, the DEA kept his jet. He eventually repurchased his jet, only to find that the DEA had damaged it to the tune of $50,000 in a futile search for drugs. The DEA is not liable for the damages. Munnerlyn declared bankruptcy; he now makes his living driving a truck.

As the title of his book suggests, Levy is as leery as was Old Whig of civil forfeiture. Though uneven, Levy's book exposes the many ways that government abuses civil forfeiture in the name of law enforcement. Liberal readers will cringe at the high-handedness of police who find in forfeiture a loophole for escaping constitutional fetters on government's treatment of the criminally accused. Conservatives and libertarians will grieve for the further erosion in property rights.

Too recent to make it into Levy's book is the Supreme Court's March 4, 1996, decision in *Bennis v. Michigan*[2]—a case further confirming Levy's wariness of civil forfeiture. Detroit police caught John Bennis with his pants down in his car while being serviced by a prostitute. In addition to fining him, Michigan seized the car, which John owned with his wife Tina. Tina Bennis fought to protect her interest in the car. She argued that because she knew nothing of her husband's tryst with the prostitute, the government could not constitutionally take her share of the automobile without compensation. The Court disagreed, holding that Tina Bennis's innocence matters not a whit. Michigan keeps the car free of charge.

Tina Bennis is not alone. Fully 80 percent of people losing property to federal forfeitures are never charged with criminal wrongdoing. Those people are punished without due process of law. That statistic is unsurpris-

[1]"Essays of an Old Whig," in Storing (1981: 28).
[2]116 S. Ct. 994 (1996).