

American Story. One hopes that it will have many editions. If it does, a good proofreader might be called in to correct a few annoying errors, such as the one that sets the Lindbergh transatlantic flight in June of 1927 instead of May, or the one that credits the invention of the cotton gin to "Ely," not Eli, Whitney. It is nitpicking to mention such things, but they might as well be cleared up.

► AN OVERGOVERNED SOCIETY
by W. Allen Wallis. Free Press, 301
pages. \$10.00.

Reviewed by William H. Peterson

HOW MUCH GOVERNMENT is the right amount of government?

For the past third of a century, W. Allen Wallis, chancellor of the University of Rochester, distinguished "Chicago School" economist, statistician and member of several Presidential commissions, has probed this question.

His collection of essays from 1942 to 1976 reveals an agile, far-reaching and remarkably consistent mind. It is a mind not unlike that of Nobel laureate in economics F.A. Hayek, who also has seen service at the University of Chicago and explored the nature of legislation and the state.

Applying Thoreau's "that gov-

ernment is best which governs least" to American experience, Wallis finds decades of government intervention into our social and economic life have mostly come to naught and even less than naught. Costs exceed benefits. Ours is "an overgoverned society."

Proof, sadly, abounds. Wallis points out government now swallows up more than a third of the gross national product and destroys a lot of potential job-creating capital formation in the bargain. Moreover, he demonstrates taxes distort resource allocation and reduce economic efficiency. Progressive taxes diminish personal incentive. Profits are doubly punished, first as corporate income and again as dividends. Various other costs of tax compliance and legal avoidance dissipate still more economic potential.

In another essay, Wallis notes how government has fashioned the so-called energy crisis. It has prevented or impeded drilling offshore, it has impeded or prevented the construction of nuclear power plants, it has sharply reduced the mining of coal, it has regulated natural gas prices so as to retard exploration and encourage wasteful use, it has delayed construction of the Alaska pipeline by five years.

Again, he sees how Congress and the Food and Drug Administration have changed the U.S. from a leader

to a laggard in developing new medicines. Citing work by pharmacologist William Wardell of the University of Rochester medical school, he says the U.S. was at least the 30th country to approve the anticancer drug adriamycin, the 41st country to approve the antimania drug lithium carbonate, the 51st country to approve the antituberculous drug rifampin. These delays have led to untold suffering and even death.

In addition, government contributed to a faltering economy, to bigger swings in the business cycle. Wallis blames Congress and the Federal Reserve. Congress has forged giant inflationary deficits. The Fed has allowed the money supply to grow erratically. And lately at a faster pace: money stock rose an average of 4 per cent a year from 1962 to 1966, 6 per cent a year from 1966 to 1971 and 7 per cent a year from 1971 to mid-1974. In the second half of 1974 money supply

growth ground to a halt; the great recession of 1974-75 was on and its after-shocks are still felt.

So how much government is the right amount of government?

Appropriately in this bicentennial era, Wallis opts for the original Constitutional design of limited government and individual freedom, of checks and balances, of the rule of law and not the rule of men. (A tax audit, observes the author, "involves sitting down across the table from a man—not a law.")

What can we do about our "over-governed society"? First, says W. Allen Wallis, perceive public opinion as the root of the problem, not ignorant or malevolent legislators. Then educate and communicate. Finally—and this may be his most challenging prescription—"discriminate in financial support between organizations, institutions, and individuals that are part of the problem and those that have a potential for doing something about it."

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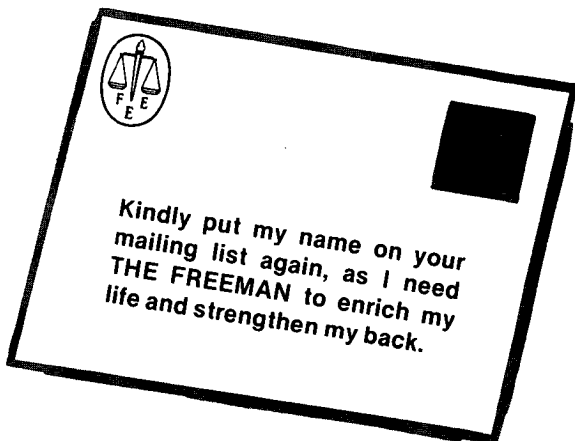
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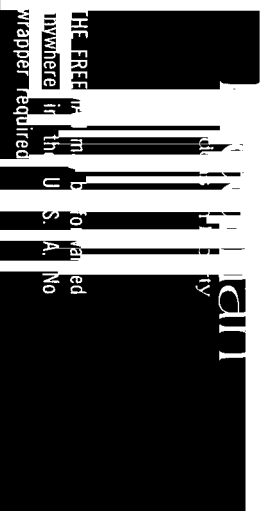
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