

of higher revenues without having to make the unpopular decision to raise taxes. The general "creep" up progressive tax brackets is not likely to be noticed by most voters, who will in any event tend to put the blame for inflation on shopkeepers for raising prices rather than on the politicians for permitting a surfeit of money. The interaction of inflation and the progressive tax code is by far the most serious form of "the squeeze" currently experienced by the electorate. Its likely effect will be to induce a worldwide economic contraction.

Other areas of squeeze covered by Davidson include the soaring tax burden, health care, housing (a most useful chapter, this, explaining how zoning, planning, and other regulations have played a major role in driving up the cost of housing); the ever-growing legal blight (sign of a declining civilization if there ever was one); the blossoming bureaucratic empires; and of course the energy

squeeze: in 1971 the price mechanism was suspended by people who did not understand its role in equalizing supply and demand. And so today we have a Department of Energy that can be relied upon to keep itself in business even if the price mechanism is restored.

Davidson concludes with a brave chapter on "what you can do," divided up into such subsections as "Put Bureaucracy on an Incentive Plan," "Restore Sound Money," and "Reduce Taxes." All excellent ideas, but I fear there is not much likelihood of their being implemented. The reason is embodied in another Davidsonian imperative: "Take Risks."

The corporate/bureaucratic state, in which a minimum-risk future is cautiously mapped out for the majority of the tax-paying middle class, severely discourages risk taking by those who above all are subjected to The Squeeze. Two hundred years ago, in Boston Harbor, militant action overthrew a tax burden laughably

light compared with today's depredations. But the Boston Tea Party folk could afford to be militant because they didn't have mortgages to worry about, pensions to forgo, salaries at risk. In that inherently more dangerous world, risk takers had far less to lose. This point is illustrated in our own day by the inclination (at least a few years ago!) toward militance and risk taking on the part of students—people who generally don't have a vast amount of "security" to lose. Unfortunately, however, they'll never solve any of our current problems, because students for the most part don't pay taxes.

Most of us, then, are locked into a fearful inaction. But take a look at Davidson's book, if you are feeling apathetic. It might get you stirred up enough to hoist a placard, at least.

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Free-Market Ammunition

Perception, Opportunity, and Profit: Studies in the Theory of Entrepreneurship

By Israel M. Kirzner.

Chicago: University of Chicago Press. 1979. 274 pp. \$15.00.

Reviewed by Leland B. Yeager

Professor Kirzner's latest book consists of 13 essays on the interlocking topics of market processes, competition, disequilibrium, knowledge, error, entrepreneurship, alertness, luck, property rights, freedom, distributive justice, capital theory, and economic development, as well as the history of thought on at least a couple of these topics. The book's subtitle indicates a pervasive and unifying theme, on which Kirzner has already done justly renowned work. Six of the papers have been published before in collective volumes and three in journals. The four now published for the first time were presented at conferences.

Except for its last three chapters, the book does not deal explicitly with issues of political economy of concern to libertarians. Instead, it deals with technicalities of the operation of the market economy. Although not directly arguing the case for a free society, Kirzner provides intellectual ammunition for those who are arguing that case or are trying to rebut criticisms of a market economy.

He considers, for example, the question whether heavy capital requirements bar entry into industries and so impair competition. His answer hinges on point-

ing out that fulfillment of the pure entrepreneurial role does not presuppose prior ownership of any resources. He faces the objection that entrepreneurship may not be able to function to the fullest because, although it is conceptually distinct from ownership of capital, the two must go together in practice. Besides scoring other points, he notes that the corporate form of organization enables would-be entrepreneurs who personally lack capital to hire themselves out to owners of capital and to function with nearly as much discretion as if they were entrepreneurs after all.

Kirzner, contra George Stigler, accepts Harvey Leibenstein's concepts of

X-inefficiency and X-efficiency and argues how market processes promote the latter. In contrast with the allocative efficiency characterized by the equalities of various marginal rates of substitution and transformation beloved of theorists of welfare economics, X-efficiency is efficiency in a more familiar sense, the sort pursued by production managers, engineers, cost accountants, and marketing experts. Entrepreneurs ferret out opportunities to improve efficiency of both kinds.

Still further removed from the ideological battlefield, Kirzner offers insightful thoughts on methodology. In several places he introduces a distinction between economizing as conceived of by Lionel Robbins and human action as conceived of by Ludwig von Mises. As James Buchanan has also pointed out, the Robbinsian conception of choosing how to allocate known resources among known uses employing known techniques reduces the economic problem essentially to a calculation like one in engineering or technology. Mises's entrepreneurial conception of the problems and choices facing economic actors is broader and more realistic. Also in the realm of methodology, Kirzner considers whether economic theory is an aprioristic or an empirical science, as maintained, respectively, by Mises and by F. A. Hayek. While recognizing that only by superficial appearance is there an important disagreement, Kirzner does not quite say what I would, namely, that Mises's position hinges on an unusual interpretation of the term *a priori*.

The book's last three chapters are the ones most directly related to political economy. Here, Kirzner tackles the ques-



tion of entitlements to income and wealth. Kirzner accepts the notion of entitlement to "what a man has produced," but he extends the meaning of the expression. Production is accomplished by the entrepreneur and not by ordinary factors of production. By perceiving and exploiting hitherto unperceived opportunities, the entrepreneur actually *creates* the source of his profit. Ownership by creation is quite different, Kirzner emphasizes, from appropriation of an unowned but already existing natural resource, whose justice John Locke and Robert Nozick maintained. (Partly because of this difference, Kirzner's label for his doctrine, "the finders-keepers ethic," seems inadequately descriptive.)

Kirzner applies his concept of entrepreneurial creativity to the further question whether *error*—incomplete knowledge—by one of the parties to a market transaction erodes its voluntariness and therefore its entitlement-conferring character. He argues that the entrepreneur has to all intents and purposes *created* the hitherto unrecognized potentialities of the object of the transaction; so, barring deception, his entitlement to his profit stands.

Yet Kirzner has not, in fact, fully shielded the entitlement doctrine against the sort of attack that James Buchanan had already mounted against Nozick's version of it. Buchanan could say that the very opportunity perceived and creatively exploited by the entrepreneur, depending as it probably does on the attained general levels of technological knowledge and material affluence and on the workings of product markets and of markets in which factors of production are available for hire, is attributable to "society as a whole" and not solely to a particular entrepreneur. No doctrine of abstract rights or entitlements unequivocally settles the question of equitable distribution of the fruits of grasping the opportunity. A defense against such attack could be mounted, in my opinion, but it would have to be a different kind of defense from the kind that Kirzner indicates (a broadly utilitarian defense—more about this later).

In a final chapter Kirzner faces some challenges laid down by George Stigler in *The Citizen and the State* (but his response applies also to an article by Stigler in the *Journal of Legal Studies*, June 1978). Stigler had challenged those who see the growth of the State as a threat to liberty to specify what liberties have been impaired. Kirzner explains why such a specification is not to be expected. He shows how Stigler, associating the extent of freedom with the range of available choices, has fused two distinct concepts: absence of coercion or restraint

wielded by human beings and ability to attain goals. Blurring the distinction between freedom and power undermines clear reasoning and communication. In straightening out this confusion, Kirzner again makes good use of his distinction between Robbinsian calculation and Misesian entrepreneurial action.

Adopting the latter perspective and also echoing F. A. Hayek and Fritz Machlup, Kirzner goes on to argue the *fertility of freedom*. Left relatively unrestricted, entrepreneurs will discover new opportunities to make profit by creating social improvements. Barriers to various lines of exploration will numb the alertness of entrepreneurs, however, and people will never know what benefits are being foreclosed. All this helps dispose of Stigler's challenge to specify just what deprivations people suffer because of growing State interference.

Kirzner's prevalent style of argumentation might be called concept-chopping—brooding over meanings of and distinctions between concepts or words. Time and again he counters objections to the market system by conceptual or verbal maneuvering. In some places, as in the discussion of entitlements, Kirzner seems to be trying to get an "ought" from an "is"—trying to derive principles of moral entitlement from facts and logic alone. Such maneuvering is not to be scorned outright. It does have its place in the evaluation of economic, social, and political institutions. Furthermore, Kirzner is very good at it; his performance is impressive and even aesthetically elegant.

Still, it is not enough. Assessment of institutions also has to appeal to comparison of alternative systems of mutually compatible institutions in the light of positive economics and other positive disciplines and also in the light of some normative criterion, such as conduciveness to human happiness. Such comparison is utilitarianism, broadly conceived. Even Kirzner cannot avoid being a closet utilitarian in at least a few scattered passages. He makes an instrumentalist case for freedom, for example, valuing it largely for the benefits that it brings, including new or better or cheaper goods and services.

Yet utilitarianism is widely scorned nowadays both within and outside the circles of libertarianism and "Austrian" economics. It is widely regarded as at loggerheads with taking human or natural rights seriously. We could well use some discussion of whether this supposed clash must in fact occur. Kirzner is well equipped to play a leading role in a debate over the philosophical underpinnings of the case for a free society.

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The Bolshevik Invasion

The October Revolution

By Roy Medvedev.

Translated by George Saunders.

Foreword by Harrison E. Salisbury.

London: Constable; New York: Columbia University Press. 1979. 240 pp. \$14.95.

Reviewed by James J. Martin

It may seem at first glance that *another* analytical book on the nature and course of the 1918 Bolshevik revolution in Russia is as supererogatory, and critical overkill, as another biography of General Grant or collection of the wise sayings of John F. Kennedy. The excuse for this one seems to be that it derives from a Soviet citizen with credentials of a "dissident," and that in places it comes to conclusions that are at variance with the tiresome Soviet establishment hacks over the decades and their legion of ardent sympathizers in other lands.

What makes his account so novel will evade most American readers, and mystery attends much of his product insofar as it is supposed to represent such a departure from what we have already been told so many times before. Do not expect to read a ringing cry of opposition to the imperial Soviet system or subscription to any heretical espousal of the vestiges of individual freedom or any such thing. Very early in this work, Medvedev establishes his profound loyalty to Leninism and in his preface lays claim to being still a "Marxist revolutionary."

Most of the first half of Medvedev's work concerns matters as dear to the hearts of Soviet political exegesis as any topic that engrossed Christian theologians of the third century: Was the revolution of 1918 "premature"? Was it "inevitable"? And was the part played by Lenin in bringing about Bolshevik success in this coup "indispensable"? He is inclined to say "no" to the first and to come down resoundingly "yes" on the next two.

As usual, the total situation is treated almost exclusively as a purely internal affair. One would almost never know there was a cataclysmic world war going on and that it had a vital part to play in assisting the revolution, because Imperial Russia was doing very badly in it. In the same way the Russian debacle in 1905 against the Japanese is little recognized as an immense fueling to the revolution which also coincided that year with military defeat in a foreign war. (There is an interesting miscaptioned photograph in this book. The familiar shot taken from a rooftop, of Russians fleeing from the czar's soldiers'