The public policy issue is how to balance resilience and anticipation. In dealing with a familiar technology whose consequences are not catastrophic, anticipation/mitigation/loss prevention are fruitful. In dealing with unfamiliar technologies, anticipation is difficult if not impossible. In this case, developing a generic resilience/emergency response/loss prevention capacity may be more cost effective.

An important resilience strategy is to spread the financial loss of accidents caused by a new techology. Indeed, those widely beneficial technologies that concentrate their costs on a few hapless victims are the least acceptable.[2] Surprising, Wildavsky is highly critical of a major American institution for providing resilience, the tort system. However arbitrary its results, it may render technological risks more acceptable, not less.

This point returns us to Wildavsky's purpose, reframing the public perception of societal risk management. Can a polemic, even one as excellent as this, alter public perceptions? Are these perceptions amenable to change through rational argument? Or, do these perceptions reflect deep, quasi-religious emotions about environmental purity and equity?[3] If so, might perceptions be altered by objective changes in compensation mechanisms? Unless perceptions of risks change, are we doomed to wander for a generation in the desert of technological stagnation?

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Socialism: Institutional, Philosophical, and Economic Issues
Svetozar Pejovich, ed.
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This book is a collection of twelve papers, only two of which have appeared elsewhere. Eleven were written by economists and one by a philosopher. Half of the papers were presented at a Liberty Fund Symposium on Socialism in 1985, and one is the Presidential Address given at the 1986 meetings of the Mont Pelerin Society by Nobel Laureate James Buchanan. Of the twelve scholars represented in the volume, four are American and eight are European.

The papers are grouped into three parts: "Rights, Institutions, and Public Policy"; "Socialism: Philosophical Issues"; and "Socialism; Economic Issues." These rubrics give the flavor and intellectual scope of this stimulating collection, which seeks to explain why socialism everywhere has fallen so far short of achieving the economic outcomes expected by its proponents. The papers in Part I by James Buchanan, Pedro Schwartz, and Karl Brunner delineate the interdependence of individual liberty, societal institutions, and public policy in shaping economic outcomes.

[2]Paul Slovic, Baruch Fischloff, and Sarah Lichtenstein, "The Psychometric Study of Risk Perception," in Vincent T. Covello, Joshua Menkes, and Jeryl Mumpower, eds., *Risk Evaluation and Management* (New York: Plenum Press, 1986), pp. 3–24.

[3]A position argued by Milton Russell and Michael Gruber in their paper "Risk Assessment in Environmental Policy-Making," *Science* 236 (17 April 1987): 286–90.

In Part II, Hans Albert addresses the literature alleging the inevitability of socialism. He points out the critical importance for proponents of a liberal social order of finding solutions for problems, such as unequal income distribution, that socialists claim can be resolved only through government intervention. A similar point is made by Roland Vaubel, who emphasizes that the contest between socialism and the liberal social order is not about ends, but about means—that is, about the clash between collectivism and individualism. The paper by Dieter Schmidtchen revisits F. A. Hayek's *Road to Serfdom* and concludes that it is as much a treatise for our time as it was in 1944.

In Part III, Peter Bernholz examines the problem of economic calculation under socialism. He concludes that cumbersome organizational schemes in socialist countries increase information costs and severely fetter the entrepreneurial search process that is so crucial for innovation and economic progress. Jan Kowalski, in his paper, applies rational expectations theory to analyze the behavior of centrally planned economies and attains insightful results. The last four papers in this section examine the impact of socialist institutions on economic outcomes. Andrzej Brezki's chapter assembles an array of data depicting the deteriorating performance of the Soviet economy and attributes its problems to its socialist system. Using property rights analysis, Svetozar Pejovich clearly shows the connection between the institutions of worker self-management and the revealed performance of the Yugoslav economy. Jacques Garello examines the economic and social consequences of socialist policies in France in the early 1980s. Finally, Christian Watrin examines the consequences of following "socialist" policies in West Germany, especially co-determination.

Taken as a whole, the papers in this volume provide much food for thought. The authors convey an unambiguous message: political, social, and economic institutions matter greatly for the behavior of economic agents. To rely on abstract theoretical and econometric macro-models to explain the consequences of socialism in practice is to miss the boat. As Steve Pejovich writes in his Preface, "the failure of socialism should be attributed to its institutions. These institutions interfere with the right of ownership and contractual freedom, generating behaviors that are clearly inconsistent with the efficient allocation and use of resources." Modern microeconomics, notably the economics of property rights and public choice theory, provides a superior framework for analysis and prediction of the behavioral consequences of alternative institutions. Such analysis either explicitly or implicitly permeates the contributions to this volume.

The appearance of this book could hardly have been more timely. The latter half of the 1980s finds most socialist countries engulfed in a wave of economic reforms. In most cases, these are reforms of previous changes that did not work. The objectives among socialist nations everywhere are the same—to increase radically the efficiency of resource use, to raise sharply the rate of technological advance, and to pacify dissatisfied populations fed up with queues, shortages, and poor quality goods and services. While differing in detail and speed of implementation, these reform programs in communist countries involve alterations in established institutional arrangements. Some of these alterations would be quite fundamental, if carried out fully. In the Soviet Union, for example, Gorbachev's reforms touch on critical issues formerly off limits. He stresses the imperative need to develop an "ownership mentality" among workers and managers of socialist firms and to allow wider scope for private and cooperative economic activity. To facilitate the development of such a mentality, his reforms involve a species of worker self-management and socialist "democratization." The insights scattered throughout this book will aid us in predicting the impact on behavior, and therefore on economic outcomes, of these ongoing or proposed changes in traditional socialist institutions.

This book should be of interest to all students of comparative economic systems. It broadens the horizons for a field that has become increasingly prone to focus on the purely theoretical and technical analysis, to the relative neglect of the impact of institutions. This book also is useful in making accessible to American scholars the work being done by European scholars in the field.

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