> cannot lapse into complacency. The diverse approaches of the intersecting "schools" must be the bases for conciliation, not conflict. We must marry the property-rights, law-and-economics, public-choice, Austrian subjectivist approaches.

That's what Aligica, Boettke, and Tarko accomplish in this book. They incorporate scholars from all the schools Buchanan mentioned: Armen Alchian for property rights; Ronald Coase for property rights and law and economics; Buchanan, the Ostroms, and Gordon Tullock for public choice; and F. A. Hayek for the Austrian subjectivist approach. By heeding Buchanan's advice, intentionally or unintentionally, the authors carried on the mantle of Hayek, Buchanan, and classical liberals before and after them in protecting and spreading the classical liberal intellectual framework and creed. This gives current and aspiring academics some valuable inspiration to continue to also carry this mantle during our polarized academic climate.

More important, the book is valuable in that it helps not just academics but also interested citizens better understand the classical liberal perspective on public governance. A better understanding of classical liberalism is paramount for citizens in a political climate that is increasingly approaching "Orwellian newspeak" with political propaganda misrepresenting political ideologies. Thus, this book helps correct the notion that classical liberalism is simply "laissez-faire," and shows that it is a perspective that touts and supports the institutions of democratic self-governance that allow individuals to live peacefully and freely among each other.

Jonathan W. Plante
George Mason University

The Enlightened Capitalists: Cautionary Tales of Business Pioneers Who Tried to Do Well by Doing Good
James O'Toole
New York: HarperBusiness, 2019, 592 pp.

James O'Toole, a professor emeritus at the University of Southern California's Marshall School of Business, has assembled an impressive collective history of dozens of innovative—and even visionary—business leaders in his new book, *The Enlightened Capitalists: Cautionary Tales of Business Pioneers Who Tried to Do*

Well by Doing Good. His detailed history includes a wide array of enterprises, from an early-19th century textile mill run by a social reformer to a present-day San Francisco bakery that sells fig and fennel sourdough, each one with an ostensibly more exalted purpose than mere profitability.

O'Toole has assembled a lifetime of research—he says he's "been noodling about this book's subject since 1970"—with copious real-world examples. Unfortunately, he provides little in terms of a theoretical framework. He seems to hope that more business leaders will adopt his preferred policies but can be frustratingly vague on how a current-day corporate manager can decide for herself whether a given proposed policy will count enlightened, effective, and affordable.

The problem with using O'Toole's heterogeneous body of examples for his announced purpose is threefold:

- Lack of a clear definition of "enlightened";
- Reliance on intentions rather than measurable outcomes; and
- Focusing on the direct, obvious results while ignoring dynamic, second-order results.

Dozens of times throughout the book, O'Toole praises the corporate policies on his nice list with positive terms like "fair," "respectful," and "ethical." But that qualitative status seems to rest entirely on the judgment of the author and the subjects of the book themselves. Almost never do we get any objective benchmarks or thresholds for when a proposed management policy qualifies for those accolades. How high does a wage have to be before it transcends ordinary pay and becomes "generous"? Should a company be donating to environmental activist groups when it could be spending that money on better employee health coverage instead? Given that many of the ethical practices he recommends are supposedly also profitable when properly implemented, how are we to judge when a CEO is practicing them because of a commitment to virtue rather than merely because they are profitable? Does it matter?

Perhaps more important, some of the policies O'Toole endorses most strongly—such as encouraging employees to invest in company stock—are directly at odds with what many experts would say is the best interest of workers (as opposed to the interests of a CEO cultivating a reputation for egalitarian management). One doesn't have to be Suze Orman or Dave Ramsey to conclude that investing a large portion of one's retirement savings in the stock of a single company is far too risky for the average worker, no matter how cozy the worker's relationship with the employer. This is especially true when employees are depending on the returns from an employee stock ownership plan to fund their retirement in the absence of a defined-benefit pension or annuity.

While O'Toole often returns to a handful of his favorite policies, like employee stock ownership, the corporate leaders in *Enlightened Capitalists* implemented a wide variety of ideas, all of which receive a sympathetic presentation. These leaders raised pay, built company housing, established unpriced schools for workers' children, created worker advisory boards, subsidized postsecondary tuition for employees, delegated authority, increased sick leave, paid for employees' health care, renounced layoffs, issued bonuses, provided schedule flexibility, committed to environmentally friendly practices, and donated to artistic and cultural institutions. However, many of them also implemented policies that were less popular, such as forbidding alcohol, requiring participation in nonwork activities, stiff-arming union formation, and pressuring employees into ballroom dancing at the company Christmas party.

Admittedly, some of those are from an earlier era, but the truth remains that the ostensible recipients of "enlightened" corporate policies don't always welcome them. If the mandated sobriety of the workers in Milton Hershey's company town in the early-20th century seems too remote an example, consider workplace health and fitness programs. Modern managers will point to the prizes, benefits, and discounts that flow to employees who exercise and follow nutritionist advice as part of their company's health maintenance policy. Advocates present these programs as a win-win scenario in which employees adopt healthier lifestyles and their company's health care costs fall as a result. However, psychologists, disability activists, and some medical professionals have criticized such "corporate wellness" programs for years, arguing that they are a source of humiliation and embarrassment for people whose bodies don't conform to the proffered ideals. So does a discounts-for-dieting program count as an "enlightened" business practice or a cause for embarrassment for some workers?

O'Toole acknowledges that some of the ostensibly pro-worker policies his heroes championed were unpopular with labor unions and resented by some of the individual workers who supposedly benefited. The kind of pay-for-productivity compensation style adopted at industrial manufacturer Lincoln Electric, one of O'Toole's most-praised employers, has been bitterly opposed by labor organizers who prefer guaranteed wages rather than higher pay for individual top performers. O'Toole makes a strong case that the pay scheme at Lincoln contributes to higher long-term productivity, making it slam dunk from a management point of view. But how much should we praise a CEO for adopting ostensibly enlightened pro-worker policies that many workers themselves resent?

Even if we acknowledge, for the sake of argument, that all the policies recommended in the book are desirable on their own terms, we still must deal with the question of how desirable they are compared to each other and how they might interact when several are implemented at the same workplace.

As anyone who has ever drawn up a budget for any kind of organization can tell you, it is about making painful tradeoffs between multiple competing priorities, not an exercise in adding every conceivable goody to the pot in order to please everyone. That means that the conflict for managers is not—as many anti-corporate activists would suggest—between being an enlightened leader versus being a greedy reactionary, rather it is about apportioning resources between many different—and sometimes conflicting—subsidiary goals. And that's assuming we've already decided that we're not giving shareholders first claim on profits, which seems to be the minimum starting point for enlightened management.

Without any conceptual framework for balancing these competing demands, O'Toole's advice can seem to boil down to "do some good stuff for people, even if it's not profitable." The unhelpfulness of this sort of advice is driven home every time an advocate of "corporate social responsibility" or "socially responsible investing" lays out the familiar litany of stakeholder groups every company should be simultaneously seeking to benefit and satisfy: employees, customers, suppliers, the local community, environmental groups, good-government advocates, cultural and artistic entities, schools and educational institutions, and so forth. Who gets in line first and who goes last—with the understanding that those at the end of the line may receive nothing? Does a company with no paid sick leave have any business increasing costs by purchasing fair-trade raw materials or spending money on a graywater recycling program?

While his writing is generally clear and well structured, O'Toole doesn't get around to defining some of his terms until near the end of the book. He says that enlightened capitalism is "neither an ideology nor an established canon of beliefs and practices," with the only idea uniting his subjects being that their beliefs are "rooted in the idea of eighteenth-century Enlightenment thinkers" who believed that "men and women can improve the conditions of society through the application of reason." That's an even vaguer and less helpful definition than most readers probably intuited up to that point in the book. We can use reason to improve society in a variety of ways—through government, business, churches, nonprofits, or even as individuals working outside of formal institutions. Asking for-profit companies to throw off a couple of centuries of practice and take on a heterogeneous mix of responsibilities traditionally discharged by government, wealthy patrons, religious congregations, and charitable nonprofit institutions would seem to demand a more detailed premise than that.

O'Toole does provide some general guidance in implementing enlightened practices, noting in the preface that his subjects correctly "sought to address social problems primarily through their business practices, rather than by acts of charity or philanthropy." Toward the end, he bookends this by cautioning corporate leaders against becoming pundits and activists on controversial political issues, recommending that CEOs only speak out when "a social or political issue directly affects their companies, or when their companies' actions directly affect an issue." Unless corporate leaders have some particularly relevant knowledge or expertise, "executive activism is generally unwise and unwarranted." Even with that guidance, there are some unavoidable conflicts in putting all his examples together and offering them, collectively, as a guide for corporate conduct.

First, not all his subjects actually followed those rules. The activism of Robert Owen, the earliest example and the subject whom O'Toole seems to admire the most, went far beyond the matters that directly affected his textile company and beyond his particular expertise. He eventually abandoned corporate management entirely to advocate for a broad range of (at the time) radical political positions and plan for the establishment of voluntary communal farming communities. More recently, computer industry pioneer William Norris followed the first rule of integrating his activism into his business but abandoned the second rule of sticking to topics on which he was an expert. His company, Control Data Corporation, made huge investments in several projects to ameliorate racial disparities, lack of educational opportunity, and urban poverty, none of which were profitable or successful as long-term initiatives. Nor were they areas with which Norris or his management team had any discernable expertise.

Second, even the two main restrictions O'Toole lays out can be extremely elastic in the hands of a motivated thinker. Health care, for example, is an issue directly relevant to every company and its employees. Many companies provide some form of health insurance or facilitate their employees' participation in tax-benefitted deductions as part of medical, health, and "flexible" savings accounts. Many more companies are under perpetual pressure to offer or expand their insurance and health care benefits. Theoretically, that gives every CEO permission to pivot from management of the firm to speaking out on drug prices, coverage mandates, medical privacy rules, Medicare and Medicaid reform, community health clinics, animal testing of pharmaceuticals, racial disparities in health outcomes, and the return on investment of government spending on preventative care in low-income communities.

None of those things might have anything to do with the widgets that a given company manufactures, but they all could be said to "affect" the company and its workers. It is easy for a CEO to come up with an excuse to venture into an issue that is unrelated to her company's core business if she presents it as an enlightened and generous idea. Many writers on the topic of corporate social responsibility similarly present as uncontroversial the long list of initiatives that qualify as enlightened. But enlightenment is often in the eye of the beholder.

O'Toole endorses many different corporate initiatives, but never shows us at which point "good enough" policies achieve escape velocity from everyday practice and ascend to "enlightened" status. Take wages—workers are always going to want more money and managers are always going to have an incentive to keep labor costs low. Ultimately, there are no "fair" or "unfair" wages, only market-clearing prices and non-market-clearing prices, both for consumer goods and for labor services. Thus, a manager may choose to pay workers more than is necessary just to get them to show up—perhaps in the hopes of increasing punctuality and productivity—but no one can say that

X dollars an hour is an objectively acceptable wage while 2X is truly enlightened.

The same is true of most of the rest of the benefits that the enlightened capitalists have offered. Suppose Traditional Products, Inc. offers new salaried employees 10 paid vacation days a year (about average in the United States). How many more must a company offer to shrug off the reputation of being insufficiently enlightened? Should the CEO of Enlightened Ventures, LLC compete with employers in Portugal and Austria and offer 35 paid days off a year? Does a government-mandated number constitute a floor or a ceiling of what we should expect from employers? Again, any employee is going to want more and most companies will want to limit the total.

By that measure, O'Toole would surely offer the highest praise for companies, like General Electric, Dropbox, or StitchFix, that offer unlimited paid vacation time—what could be better than that? Unless, of course, you read the critiques in *Forbes*, the *New York Post*, *The Cut*, *Thrillist*, and many other publications describing unlimited vacation policies as a cynical, manipulative scheme. *Inc.* contributing editor Geoffrey James recently went so far as to describe unlimited paid vacation plans as corporate American's "scam of the century." Critics argue that managers and co-workers tend to treat defined vacation times as a right, whereas taking any particular span of unlimited vacation time requires more justification and deference to colleagues. Many workers also see willingness to forgo vacation as a way to stand out from fellow employees, pitting vacation time against a desire for career advancement. Not everyone with an unlimited vacation plan feels this way, but it is another example of how seemingly beneficial policies are often not as popular as they initially appear. Simply having (or having access to) more of an ostensibly desirable thing does not always lead to better outcomes, much less morally superior ones.

The other side of O'Toole's theory of enlightened capitalism being insufficiently well defined is that he doesn't present a rigorous method for measuring the outcomes of enacted policies. Many of the policies that O'Toole praises seem to have been put into place by CEOs and managers confident in their theories, without testing, and continue to be implemented without a systematic analysis. O'Toole mentions several anecdotes about enlightened policies that seem, in general, to have worked out, but we're not always told whose opinion of success was used or whether other confounding factors were accounted for. This is especially surprising because one of O'Toole's central goals is to convince future business leaders that the failure of so many previous enlightened firms is not proof that enlightened practices are inherently flawed. If these policies are not uniformly to be blamed for company failure, surely we shouldn't uniformly assume that they were the cause of whatever success was observed after they were implemented.

As in some of the examples mentioned above, employee welfare outcomes are often counterintuitive. Well-intentioned policies can create dynamic effects within the company that reduce or eliminate expected gains, either for the company or for individual employees. O'Toole cites one example that got copious news coverage four years ago. Dan Price, the CEO of Gravity Payments, took a personal pay cut while implementing a $70,000 minimum salary for all his employees. Workers who got a raise celebrated, of course, and Price became a cause célèbre among business writers. But many of his own employees were nonplussed. Some thought that, as O'Toole recounts, "it was unfair to pay them and new hires the same amount, and some more productive ones said that the pay scheme would reward the less-deserving." If even unilaterally raising salaries with no increase in expected output can be controversial, any policy can prove more complex and problematic than it initially appears.

All of this is not to say that any of these particular policies are necessarily bad or wrong, but that their desirability is contextual and often ambiguous. O'Toole suggests that adopting policies like those he profiles is a mark of enlightenment. But many are limited in applicability, are less robust than they appear, are more costly than advertised, offer benefits that appeal only to certain subsets of employees, or are actively opposed by a minority of workers. Many of them no doubt bring greater satisfaction and happiness to workers and function effectively within certain profitable enterprises. But they are not, as a group, so obviously or overwhelmingly good that it is reasonable to say they constitute morally superior choices.

There is much more to be written about the issues O'Toole raises—such as the legal dictum of shareholder supremacy and the question of founders binding future managers to their personal management philosophies—that will need their own separate analysis. It is fair to say, though, that O'Toole has provided readers with a valuable body of research on pioneering business leaders from the past two centuries. I suspect there are many writers, in both the academic and journalistic worlds, who will find his research immensely valuable when forming their own theories of acceptable—or exemplary—corporate conduct.

Richard Morrison
Competitive Enterprise Institute

The Value of Everything
Mariana Mazzucato
New York: PublicAffairs, 2018, 358 pp.

Mariana Mazzucato's *The Value of Everything* is premised upon her previous research into debunking myths about lone entrepreneurs and startups and ignoring a key actor of "first resort"—the state. Because of this "glaring omission," she believes that our economic theory of value creation is flawed, and this conceptual flaw is a major reason for the growing problem of wealth inequality in Western nations. Her question? Are we sure that much of what is passing for "value creation" is not just "value extraction" in disguise? She argues that this blurring of two different economic concepts is precisely what has occurred in post-World War II industrial economies.

Mazzucato, director of the Institute for Innovation and Public Purpose at University College London, defines value as "the production of goods and services" and focuses her narrative on the "wealth creators" and the forces that produce it ("the process"). By value extraction, Mazzucato identifies the "rent seekers": those industries that charge above the competitive price or where oligopolies block other companies from industry entry and thus retain their monopolistic advantage. Critics view this "predatory capitalism"—combining weak government antitrust enforcement and monopolistic practices—as the primary driver of why the 1 percent of the wealthiest in the United States have risen to power over the remaining 99 percent.

According to Mazzucato, understanding the history of the "production boundary"—and specifically what lies inside this boundary and outside of it—is critical to understanding how theories of value have evolved over the last 300 years. Inside this boundary has included all productive activities generated by the wealth creators,