IN REVIEW

Angus Deaton in America

REVIEW BY DAVID R. HENDERSON

Economist Angus Deaton was born and educated in Britain and moved to the United States in 1983. His major claim to fame is winning the Nobel Economics Prize in 2015. What I've liked most about his work over the years is that he clearly marches to his own drummer.

In 1998, he started writing short pieces on America's economy, American economic policy, and economic thinking in general. Now he's put many of those pieces together in *Economics in America*, which his subtitle brands "the land of inequality." (*The*? As if there's only one?) The title itself gives away much of his thinking. He believes that American economists have not sufficiently explored inequality and that U.S. economic policy pays too little attention to reducing this inequality.

Deaton writes well and is a great storyteller. Some of his stories of conflicts within the economics profession are fascinating. He also has some penetrating discussions of controversial issues. At times you might think you can put him in a well-defined left-of-center ideological box, but he occasionally surprises us, as with his discussion of the 1990s lawsuits against the tobacco industry. Still, he often *does* fit in the above-mentioned ideological box, and this comes out in his discussions on healthcare, pensions, taxation, fiscal policy during recessions, and many other issues. Also, the views he expresses about how much we can trust government, especially on pension policy, show real ambivalence. Unfortunately, he often criticizes people who disagree with him without explaining why they're wrong; in one instance, he accuses a Harvard economist of "insanity." And on one issue, the ideal progressivity of the income tax system, he omits a key finding in the early literature he discusses, a finding that dramatically contradicts his own view on progressivity.

Foreign aid controversies / One of the more interesting parts of Deaton's book is his discussion of controversies among economists on foreign aid. The first is Joseph Stiglitz's attack, in his 2002 book *Globalization and Its Discontents*, on Larry Summers and Stanley Fischer. Although Deaton doesn't take sides, except to argue that Stiglitz's attack on Fischer's integrity was unjustified, he references a YouTube debate between Stiglitz and Harvard economist Kenneth Rogoff. That video is now in my queue.

Deaton believes that American economists have not sufficiently explored inequality and that policy pays too little attention to reducing inequality.

The second controversy he discusses is the "war" (Deaton's word) between Jeffrey Sachs and William Easterly. In his 2005 book *The End of Poverty*, Sachs called for large-scale government planning to end poverty in poor countries, prompting the more market-oriented Easterly to criticize Sachs for "unwarranted utopianism." Sachs's response, writes Deaton, was "vituperative, contemptuous, and ad hominem." Deaton also references Nina Munk's book *The Idealist: Jeffrey Sachs and the Quest to End Poverty*, in which she discusses how Sachs's Millennium Villages Project "left a trail of destruction and unintended consequences."

Healthcare / The US institution that Deaton seems to dislike the most is healthcare and especially health insurance. He, like many of us, hates the fact that we can't know in advance the amount we would have to pay out of pocket for surgery. His view is informed by his personal experience with hip replacement. Concerning his first replacement, he writes, "I felt like punching the anesthesiologist instead of signing the 'consent' form." He much preferred his experience with his second hip replacement, which was covered by Medicare. He also has nice things to say about Britain's socialized system, which he grew up with, though he admits that the waits for care are long.

Deaton seems unclear about what he wants. On the one hand, he castigates "market fundamentalists" (a term he never defines) for wanting free markets in healthcare. On the other hand, he seems quite positive about a plan developed by the late health economist Victor Fuchs for giving people vouchers that could be spent on medical care. Food stamps are vouchers for food, and few people would claim we don't have a relatively free market in food. Similarly, providing vouchers for medical care is consistent with a free market in healthcare, yet Deaton doesn't seem to have thought about whether his interest in vouchers can

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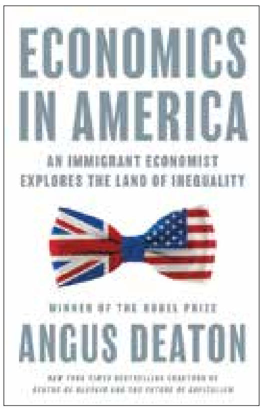
be consistent with his opposition to free healthcare markets.

Something that I noticed again and again in the book is Deaton's unwillingness to take seriously certain arguments against his own views. It shows up early in the book in his discussion of the 2010 Affordable Care Act (ACA), which he seems to favor mildly. He points out that the first major challenge to the ACA was over whether it is constitutional for the federal government "to require anyone to buy anything" and notes the late Supreme Court Justice Antonin Scalia's question about whether the state could force people to buy broccoli. Deaton comments, "Perhaps he thought you didn't need health insurance if you ate enough broccoli?" But Scalia was getting at a serious question: If the feds can make you buy *X*, can they also make you buy *Y* and, if not, what is the limiting principle? Deaton's lame humor allows him to dodge the question.



Economics in America: An Immigrant Economist Explores the Land of Inequality

By Angus Deaton

271 pp.; Princeton University Press, 2023

One nice surprise in his chapter on healthcare is his treatment of the infamous 1998 settlement between 46 state governments and the major cigarette companies. Deaton points out that the $200 billion in revenues the cigarette companies agreed to hand the state governments are not coming out of the cigarette companies' coffers but, instead, are being paid from higher cigarette company revenue generated by higher prices charged by a legal cartel that the governments created and blessed. Deaton doesn't explicitly call it a cartel, but he does note that smokers are paying for the settlement in the form of higher prices.

Deaton takes on some prominent health economists—in particular, David Cutler and Joseph Newhouse of Harvard and Jonathan Gruber of MIT—who favor the cartel. Their argument is the paternalistic one that the benefit to smokers in saved lives outweighs the costs. Deaton writes:

> The authors [Cutler, Newhouse, and Gruber] recognize and defend their rejection of the idea that people know what is best for them, and dismiss the idea that smokers are making rational choices for themselves. Even if it is true that people don't always know what is best for them, there is a long step from that to ceding their personal autonomy to a bunch of Harvard and MIT economists.

That's particularly well said. It got me wondering whether Deaton would be willing to reconsider his apparent view that a bunch of government officials should be able to make us purchase health insurance.

Taxation / In a chapter titled "Monetary Inequality," Deaton talks about his concern, growing up in Britain, with large inequality in wealth and income. He highlights work by British economist and fellow Nobel winner James Mirrlees, who "solved (one version of) the problem of how much inequality we *ought* to have" (italics in original). Deaton notes that Mirrlees proposed an income tax system that made "the best possible trade-off" between equality and incentives. Unfortunately, Deaton fails to mention Mirrlees's surprising finding that the top marginal tax rate should be only about 20 percent and that the tax rate should be about the same for everyone. In short, Mirrlees concluded that there should be approximately a flat tax rate. In his 1971 *Review of Economic Studies* article "An Exploration in the Theory of Optimum Income Taxation," which contains that conclusion, Mirrlees wrote: "I must confess that I had expected the rigorous analysis of income taxation in the utilitarian manner to provide arguments for high tax rates. It has not done so."

Deaton doesn't tell the reader Mirrlees's surprising conclusion. Could it be that Deaton favors a progressive income tax and doesn't want to undercut his belief by quoting Mirrlees's finding? I don't know.

Deaton highlights a 1996 paper by Stanford's John Shoven and Harvard's David Wise, "The Taxation of Pensions: A Shelter Can Become a Trap," that concludes that one provision in the 1986 Tax Reform Act, combined with federal and state income taxes and estate taxes, could cause someone on the verge of retirement to leave his heirs "less than ten cents on the dollar" saved in his retirement account. Furthermore, writes Deaton, if the person lived and died in New York, his heirs could get "only a quarter of one cent on the dollar." One might think that Deaton would be aghast at this confiscatory taxation. But he expresses no such emotion. He points out that the Taxpayer Relief Act of 1997 repealed the relevant 1986 provision, along with liberalizing the taxation of capital gains from home sales. After noting that big issues like Medicare and Social Security were not dealt with in the '97 legislation, he writes sarcastically, "But no matter, so long as the 'underrich' are taken care of." Like Deaton, I think Congress and the president should take care of the looming crises in Medicare and Social Security, although our preferred solutions might differ. But why the apparent resentment of Congress for "taking care" of the "underrich" by refusing to confiscate almost all their retirement wealth?

Pensions and Social Security / One major change in private pensions and even some federal employee pensions over the last half-century is the movement away from defined benefit plans to defined contribution plans. In the former, the employer pays a pension based on the retired employee's years of service and pay. In the latter, both the employer and employee contribute money to an investment fund that the employee owns and can take with him upon leaving an employer or upon retirement. Many employees, including me, have invested these funds heavily in the stock market and, if they've chosen funds indexed to the overall stock market, have done very well over the last few decades.

Deaton is wary of such investment plans because people can and do make mistakes. He admits that there is "no painless or risk-free solution to providing and funding pensions." He recognizes that while people are myopic, politicians are *very* myopic: "political lives," he writes, "are shorter than people's lives." You might then think that he wants politicians to stay out of people's pensions. But he writes, "Pensions need to be collectively managed so that unscrupulous but relatively well-informed politicians and managers are not able to shift risk to poorly informed individuals whose material wellbeing in retirement is often barely adequate."

By collective management, Deaton means government management. Who runs government? Politicians. So, politicians are myopic when it comes to investing pension funds in stocks. Check. But they're not myopic when it comes to managing the current Social Security system, which will be unable to deliver promised benefit levels in a decade's time? In wanting government management but not management by politicians, Deaton sounds almost like the ACA opponents who famously didn't want the government messing with their Medicare.

Fiscal policy in recessions / One of the biggest controversies in macroeconomics in the late 1960s and early 1970s was about the relative potency of fiscal policy and monetary policy during recessions. The dominant view into the late 1960s was the Keynesian belief that fiscal policy is potent and monetary policy impotent. For that reason, Keynesians advocated increasing government spending during recessions. But Milton Friedman and a band of monetarists challenged that view and brought substantial evidence to bear on it. Friedman argued that monetary policy was much more potent. That did not lead him to advocate increasing the money supply during recessions. Instead, he advocated steady and moderate growth of the money supply to avoid bad recessions and high inflation.

Yet Deaton writes as if that debate never happened. He attributes the view that governments should avoid increasing spending during recessions not to economists, but to Republican politicians and regular voters. He notes that less than 10 percent of Americans reported being able to "see" any reduction in unemployment as a result of President Barack Obama's 2009 increase in federal spending. One gets the idea that Deaton has not contended with the serious literature. Also, one argument against increasing the deficit to shorten recessions is the "Ricardian equivalence" argument pushed by current Harvard economist (then at the University of Chicago) Robert Barro. Barro argued that when deficits rise, people save more in expectation of having to pay higher future taxes. The evidence on this is messy but not one-sided. How does Deaton handle Barro's argument? By calling the viewpoint "insanity."

In wanting government management but not management by politicians, he sounds like those who don't want government messing with Medicare.

Elsewhere in the book, Deaton quotes George Stigler's comment that a believer in the labor theory of value wouldn't be able to get a good job in academia, not because he was radical but because a hiring committee would think that such a person couldn't be both intelligent and honest. Deaton counters that there might be "something to be learned from studying the labor theory of value." Note two things: First, Stigler was discussing someone who *believed* in the labor theory of value, not someone who *studied* it. Indeed, in his work in the 1950s on the history of economic thought, Stigler himself studied the labor theory of value. Second, contrast Deaton's evenhandedness about the labor theory of value, which has been thoroughly refuted, with his charge of insanity to Ricardian equivalence, which hasn't.

Conscription and immigration / My two biggest disappointments with Deaton's book are his criticism of the idea of an all-volunteer military and his openness to further restrictions on immigration.

He rightly credits Friedman and Walter Oi for their roles in helping to end the draft, but objects to the fact that in 2015 some 8 percent of enlistees had a bachelor's degree. Why, in Deaton's view, does this matter? One reason he gives is that "those without a college degree are suffering." What he seems not to realize is that by introducing a draft, he would cause them to suffer more. The last time there was a serious attempt to reintroduce the draft, in the 1979–1981 session of Congress, every draft bill introduced had in it a substantial reduction of first-term pay. Draftees who would have volunteered at market wages would thus have been made worse off. So, his solution to the suffering of military volunteers who lack a college degree is to take away or limit what they regard as their best opportunity, causing them to suffer more.

He also argues that economic inequality "can spill over into the military and compromise battlefield success." Even if that's true, he needs to compare it to the alternative. While teaching at the Naval Postgraduate School, I used to poll my military officers about whether they wanted to return to the draft. Practically all of them would say no, and they typically justified their view with a rhetorical question, "Why would I want to be in charge of people who don't want to be there?"

On immigration, Deaton notes correctly that immigration of unskilled workers undercuts the wages of unskilled incumbent workers. But pro-immigration economists, of whom there are many, offer what are called "keyhole solutions"—policies that address specific problems like this without restricting immigration overall. One such solution would be a reduction in the bottom federal tax rate of 10 percent, thereby increasing unskilled workers' net income.

There are other solutions as well, though they are too complicated to cover here.

The underdog / Deaton writes of his concern for the underdog—those he considers to be treated unfairly. Some of his policy recommendations, however, would hurt the underdog. On the other hand, he does point out government policies a reversal of which would help the underdog. One is decisions by judges that allow private equity firms to buy failing firms and then "strip the contractual health benefits and pensions of the workers." I don't know much about this area of law and economics, but I share his feeling that this seems wrong.

Deaton also shows concern for the underdog in his discussion of the economist Alfred Marshall's horrible treatment of his wife, Mary Paley Marshall, who was a first-rate economist in her own right. He quotes a statement from Austin Robinson that Robinson attributed to Keynes: "Why did Alfred make a slave of this woman, and not a colleague?" Why indeed? In tracking down the quote, I found that Friedman, like Deaton, was appalled by Marshall's treatment of his wife.

Deaton's concern for the underdog carries over to his concern for academic economists who, given the old-boys club in the top journals, have little chance of publishing there. It's refreshing to see him pull back the curtain. In expressing his legitimate concern, though, he engages in a little elitism of his own. After listing the top five economics journals, Deaton writes, "Young scholars need to publish in one or more of them if they are to build successful careers." I would bet that over 90 percent of economists (including me) have never published in any of those journals. Would Deaton really maintain that none of us has had a successful career?

Also, while Deaton expresses legitimate concern for the wellbeing of American men without a college degree, he fails to see that even they have gained economically over the last several decades. He claims that their real wages are lower than they were 50 years ago but doesn't present evidence. Given his criticism of economists who want the consumer price index (CPI) to adjust better for new products and quality improvements, it's clear that he must be using the CPI. He never discusses the inflation measure that the Federal Reserve favors: the personal consumption expenditure index (PCE). This shows a lower growth of prices from 1970 to 2023. If, say, Deaton's measure shows a 2 percent decline of wages for male non-degree holders over those years, the PCE measure would show a 26 percent *increase* in real wages. And that ignores non-wage benefits, which have been an increasing percentage of overall compensation in the last 50 years.

Way with words / As you can see from the above, my assessment of Deaton's thinking is more negative than positive. But I want to end on a positive note: he has a way with words. In comparing the small amount of government funding of economics provided by the National Science Foundation with the large amount of funding on health given by the Bethesda-based National Institutes of Health, Deaton writes, "Economics may be the six-hundred-pound gorilla in the social sciences, but it's still a small creature in the Bethesda Zoo." And in describing the splendors of the 2015 Nobel Prize event in Stockholm, he writes of his economist wife Anne Case, "Anne's scarlet sheath could be seen from outer space." I hope his wife found that as charming as I did. *R*

Blame Private Equity?

REVIEW BY VERN MCKINLEY

A search of recent business headlines for the term "private equity" yields a bounty of results, particularly those that mention regulation or litigation in the sector. "SEC Takes On Private Equity, Hedge Funds." "Private Equity, Hedge Funds Sue SEC to Fend Off Oversight." "SEC Fines Real Estate Private-Equity Firm Prime Group." "Money-for-Nothing Lawsuits Against Private Equity Founders Get Boost." Select leaders in private equity also make news: Billionaire David Rubenstein interviews high-profile newsmakers on his *Bloomberg* and *PBS* shows, Jerome Powell is the chairman of the Board of Governors of the Federal Reserve, and Glenn Youngkin is the current governor of Virginia. All three are alumni of the Carlyle Group, one of the largest private equity firms.

Private equity is, of course, stock in private firms that does not trade on public exchanges. The term also informally refers to the specialized investment funds and limited partnerships that trade those equities and usually take an active role in the management and structuring of the private firms. There is a lot about these funds that is worth investigating and understanding. Toward that end, Pulitzer Prize and Gerald Loeb Award-winning author Gretchen Morgenson, who now works for NBC News, and financial research consultant Joshua Rosner have collaborated on *These Are the Plunderers*, a new book that delves into the private equity sector. This is their second book together, the first being 2011's *Reckless Endangerment*, which chronicles the history leading up to the mortgage crisis of the 2000s.

The players / Between the book's title and its introductory chapter, "Let the Looting Begin," Morgenson and Rosner make clear their position on private equity funds. In wading through an explanation of private equity, the reader is exposed to heaping levels of overwrought rhetoric:

> The economic wreckage caused by the takeover titans is real and measurable.… The riches amassed by the people overseeing these money-spinning machines—

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> and most of them are white males—are simply staggering.... Theirs is a distorted kind of capitalism, a setup in which they benefit while many others lose. They have perfected the art of "Asshole Capitalism" ... where citizens feel entitled to unlimited personal enrichment even at social cost.

To apply more of a textbook definition to the private equity industry while maintaining their rhetoric, Morgenson and Rosner explain to whom their ire is directed:

> Private equity is a catch-all phrase, but the financiers we are highlighting take over companies in transactions using high-cost borrowed money raised in the corporate bond markets from investors willing to take on greater risks. They are not entrepreneurs or traditional businesspeople, prospering while creating jobs and opportunities for others. ... These men are America's modern-age robber barons.

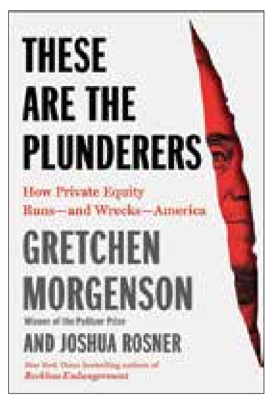
To attach proper nouns to the negative descriptors, the authors give a few examples of the largest of the private equity players, along with further detail on their business model:

> The biggest private equity firms are Apollo, Blackstone, the Carlyle Group, and Kohlberg Kravis Roberts. They buy companies and load them with debt while bleeding them of assets and profits. A few years later, they sell these same companies off to new owners, perhaps in an initial public offering of stock, ideally at a substantial gain for themselves and their colleagues and partners. Often the companies they buy collapse in bankruptcy after the financiers have piled on the debt and extracted their profits.... Their business model creates little of value for society; in fact, their job cuts, higher costs of goods and services, and exploitation of the tax code have worn the nation's social fabric thin.

The authors explain that they reached out to many of the principals of the private equity firms—Henry Kravis, Stephen Schwarzman, David Rubenstein, and Leon Black—to allow them to give their side of the story. Unsurprisingly, none of them chose to do so.

Executive life and Apollo / An outsized share of the book is dedicated to a single case study with related offshoots: a saga regarding insurance products sold by Executive Life Insurance (ELI), which is mentioned more than 80 times in the book. Its history is traced in detail in the first seven chapters—nearly a third of the book—and is mentioned many times thereafter. At the genesis of the story when ELI is first introduced in the book, it is an A+ rated company (financially sound), and it is selling a structured settlement product whereby a customer can contract for a fixed cash stream with a cost-of-living adjustment.

The book tells of Vince and Sue Watson, who purchased one of these insurance products in 1986 that would pay $9,000 per month. They did so upon receiving a medical malpractice award (and at the urging of the awarding court) in compensation for their daughter Katie being permanently brain damaged through her hospital's negligence in treating her pneumonia. This amount was supposed to cover around-the-clock care for the rest of Katie's life. Four years after the purchase of the product, ELI made some bad bets in the bond market and was ultimately seized by the California insurance commissioner in early 1991. In what Morgenson and Rosner describe as a "virtual giveaway" and "the deal of the century," the insurance commission (which was overseen by a California court) sold ELI's investment portfolio on the cheap to private equity firm Apollo Global Management. The terms of the original insurance product were no longer in force. Federal prosecutors scrutinized the deal, but the case was ultimately dismissed. We are told the Watsons lost their home after being burdened with the bulk of the costs of care for Katie. Additionally, 300,000 other policy holders were damaged by this hit on the investments backing their products, losses of upwards of $3 billion according to a state audit.



These Are the Plunderers: How Private Equity Runs—and Wrecks—America

By Gretchen Morgenson and Joshua Rosner

400 pp.; Simon and Schuster, 2023

The basics of the Watsons' plight is explained in a few pages in chapter one, but the reader is given an inordinate amount of further detail on ELI, Apollo, and its founder, Leon Black, including details on Black's upbringing, his family, his ability to build wealth, and his time at Drexel Burnham Lambert; the background of then–California insurance commissioner (and now U.S. congressman) John Garamendi; and the story of Maureen Marr, an activist who gave of her own time to valiantly work for the interests of thousands of ELI customers neglected in the wind-up process overseen by the State of California. This dedication of ink would have made sense for a book about Apollo. But much of the story told of ELI and Apollo is from many decades ago, and dedicating one-third of the book to this narrow example does not give a reader much of a sense of the contemporary state of the private equity industry.

The authors lay much of the blame for the ELI fiasco on the private equity industry. They use it as an initial exemplary case in their journalistic prosecution of the industry that is the core focus of the book, supported by a quote from the Watsons: "Leon Black got the deal of the century on the backs of the handicapped and the brain damaged." To be sure, the Watsons and others are highly sympathetic figures. But shouldn't the blame for their plight fall at least as much on the original management of ELI that got the insurer in such dire financial straits, or the California insurance commissioner who made the decision to intervene and managed its liquidation, or the California Public Employees Retirement System (CalPERS) that invested in Apollo and the funds it managed, or the various courts that encouraged the initial product purchase and allowed the ELI sale to go forward? Although the authors briefly mention those (mostly state) actors, they don't get anywhere near the heat as the private equity firm that purchased the crippled insurer.

Healthcare and retail cases / Another dedicated chapter focuses on the role of private equity in the healthcare industry. The authors introduce the topic early by explaining:

> Beginning in 2005, these money-spinners began prospecting for riches in healthcare, spending over $1 trillion to buy up hospital systems, physician practices, nursing homes, medical billing services, and other companies in the field.... Historically, healthcare was run for patient outcomes rather than profits or efficiency, but since these firms began taking over the industry, they'd cut back on investments in ventilators, beds, excess supplies, and staff.

No citations were readily available for these transformational claims. No discussion is offered of other factors contributing to these factors, like the ever-expanding presence of government in healthcare. Another case where details were lacking is Morgenson and Rosner's critique of the private equity industry's defense: "One of its claims: Private equity is improving healthcare. Reams of unbiased academic research and a rising number of practitioners say otherwise." Yet they offer no citations for these reams of unbiased research.

Among the authors' case studies that readers may be familiar with are some iconic American brands. They appear early in the book as part of a tirade against job losses Morgenson and Rosner ascribe to private equity:

> Between 2003 and February 2020, retailers owned by these financiers eliminated over a half million jobs across America. Among them were positions at the bankrupted Sears, Kmart, Linens 'n Things, Claire's, and Toys 'R' Us. Some of these failures can be attributed to the rise of online shopping, but only some.

This time there is a citation for the authors' broad-brushed accusations: a report from the progressive group Americans for Financial Reform, a collection of self-appointed consumer and labor groups as well as other special interest groups. But the report is a position paper and not a serious analysis balancing the causal factors for these business failures, allocated between online shopping, the private equity industry's leveraging of the businesses pre-bankruptcy, and additional factors. Morgenson and Rosner blame private equity for the firms' financial troubles, presenting the case studies as if the businesses were in fine shape before their buyouts.

Conclusions / None of my criticisms should be interpreted as saying that private equity is always an angelic force. But *These Are the Plunderers* presents thin evidence on those issues where private equity rightfully should be criticized, and I would like to have seen more and better analyzed examples.

The authors do properly point out contradictions in the funds' practices:

> These unbridled capitalists have mounted expensive lobbying campaigns to ensure continued enrichment from favorable tax laws.... In 2020, Apollo was one of the first firms to mount a D.C. lobbying campaign to insulate their interests from a COVID collapse.

There are other troubling cases that the authors could have explored. For example, Stephen Schwarzman was a self-serving proponent of the massive TARP bailout during the 2008–2009 financial crisis who demanded that Treasury secretary Hank Paulson take swift action. But instead of telling that story, the authors write of Schwarzman's pay checks:

> [During] 2021 when much of the nation was worried about where their next paycheck was coming from, Schwarzman took home $1.1 billion in compensation and dividends.... [His] net worth more than doubled that year, from $16 billion to $35 billion.

Another flaw in their broad-based critique is their assumption that immediate or quick asset disposition should always be avoided because it leads to a depressed sale price. They write, "Even a dullard knows a fire sale is precisely the wrong way to get the highest price for something you want to sell." That blanket assertion is simply untrue; the alternative is a holding strategy, and there are risks to that approach, too. The price of a depressed asset can go down even further, and if one chooses a "holding strategy," choices must be made about timing the market, deciding when an asset should be disposed of. The authors dedicate a chapter to critiquing the fire sale approach and raise the same issue elsewhere in the book, presenting a one-sided and superficial approach without setting out contrary arguments. Finance principles are rarely so cut and dried.

Putting aside ideological concerns, the book has a serious practical flaw: there is no index, at least in the version I purchased. As the case studies toggle between historical examples and the present day, it is a challenge to track some of the characters without ready access to an index. Its absence is unexplained.

I think I would have enjoyed a balanced book that provided the breadth of analysis on the good, the bad, and the ugly of the private equity industry, leaving me to make my own judgment on private equity. *These Are the Plunderers* is not the book I was looking for. I need a solution to address this imbalance. Either I can find a book with a more balanced presentation of the facts or else find one with a one-sided presentation that gives the view from the private equity perspective. I'll keep looking. R

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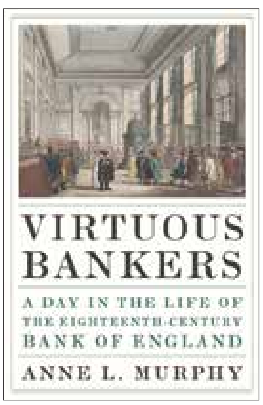
Are Central Bankers Virtuous?

REVIEW BY VERN MCKINLEY

Central banks have received mixed reviews from the commentariat and policy experts for their decisions and actions over the last 15 years. Supporters argue that the central banks saved the financial world from almost certain collapse (whatever that means) during both the 2007–2008 global financial crisis and the early uncertain days of the COVID pandemic. Critics respond that the central banks' strategy of bailouts and loose monetary policy during the era likely caused more long-term problems than they solved, including contributing to the global inflation experienced since 2021.

As opposed to recent central bank policy, books explaining the history of central banks and their proper core functions are a rarity. One of the most influential of the banks is the Bank of England (BoE). It was not the world's first central bank, but it was the template for the First Bank of the United States, which was established in 1791 and was a central bank predecessor to the Federal Reserve. I previously reviewed a book that reconsidered Walter Bagehot's views on the BoE's function as lender-of-last-resort during the 19th century ("Would Bagehot Be Smiling?" Winter 2019–2020). Anne L. Murphy, in her new book *Virtuous Bankers*, goes back to the 18th century and considers a broader range of the BoE's functions. Murphy is a history professor and executive dean at the University of Portsmouth and the author of the 2009 book *The Origins of English Financial Markets: Investment and Speculation Before the South Sea Bubble*.

She spent many years meticulously researching the required details for *Virtuous Bankers*, and that will be obvious to the reader. Major chapters have 120–150 footnotes each, and the appendices provide supplementary materials for more detailed assessment and reading.



Virtuous Bankers: A Day in the Life of the Eighteenth-Century Bank of England

By Anne L. Murphy

288 pp.; Princeton University Press, 2023

Day in the life / *Virtuous Bankers* draws much of its vast detail on the operations of the BoE in the 18th century from a two-year examination conducted between 1783 and 1784 by a Committee on Inspection consisting of three BoE board members. "Their final reports run to over 80,000 words and detail all aspects of the Bank's operations and management," notes Murphy, who includes the reports in six separate appendices to *Virtuous Bankers*.

In terminology that only a modern-day consultant could love, I would describe the inspection as an operational process review. According to Murphy, the three appointed members of the committee were "sympathetic to the cause to inspect the Bank," and were "directors of relatively short standing," although this included one member who had been on the Board for well over a decade.

By the early 1780s, the BoE had been in operation for nearly 90 years and its staffing had ballooned from 17 to 300 clerks. As an example of the detail Murphy unearthed from the BoE archives, she provides another appendix with the names and home departments of all staff, along with their annual salaries circa April 1783. These range from £20 (watchmen) to £250 (senior staff).

The subtitle's reference to "A Day in the Life of" is not meant literally in the sense of a focus on a single day's activities during the early 1780s. Rather, the phrase describes the form of Murphy's narrative, which draws from the inspection reports to give the reader a sense of the types of events that might face a typical contemporary BoE staffer:

> The business of the Bank of England started early. At six in the morning in the summer and seven in the winter, William Watkins [paid £40 per annum according to the book's appendix], the principal gate porter, took a set of keys from where they hung near the kitchen in his apartment in the Bank, unlocked the main gates and set them open for the day. As he opened the gates, Watkins would find two groups of workers waiting to be let in: the out-tellers and the house porters.

The reader is later informed that Watkins has "a deputy given that Mr. Watkins could not be expected to be in constant attendance at the gate." One also learns that at the end of the day the various keys to the offices of the bank were to be delivered to his lodge because "it was usual, but not compulsory, for people to check either with him or his wife before taking any keys from his house."

Contemporary functions / The narrative does spend considerable time on the mundane, administrative tasks that Watkins is responsible for, but its major focus is on the BoE's financial tasks. The core functions of the BoE at the time were mostly centered on fiscal responsibilities in supporting

> its relationship with the state and by the 1770s its loans to the government

> exceeded £11 million. It also managed nearly 70 per cent of the long-term public debt … and this related to a significant amount of debt … [which stood] at the end of the war with America, at £245 million.

These borrowings were required "in emergent situations like war," and Murphy refers to Britain's status as a "fiscal-military state."

The BoE's state functions extended to

> remittances overseas to support the state's military operations. It also managed the circulation of Exchequer bills … what was essentially a monopoly over short-term lending to the government. It provided both deposit and borrowing facilities for government departments and offices … and it lent to the army, navy and ordnance…. [A]lthough the Bank was not the only financial institution to issue paper money, the fact that its notes were not only accepted widely but also accepted in payment for tax liabilities meant that its paper was supported directly by the actions of the state.

Another one of its functions was the

> discounting business, especially from the 1760s onwards … [which] allowed the Bank to become integral to the management of the London economy … as the Bank's directors intervened to manage the credit market through its discounting policy…. The [BoE] was at the apex of Britain's financial architecture when the Inspectors started their work.

The reader is thus exposed to the evolution of the BoE, migrating from a focus on micro-level government services to macro-level "financial stability" that is more familiar in modern central banking. This is also evident in a discussion of the nascent stages of the BoE as "a lender of last resort: an institution that could, and was willing to, lend to another financial entity for which no other avenues of credit might be open … [during the] financial crisis of 1763 … and the more widely examined banking crisis of 1772."

Location, sights, sounds, and smells / Murphy dedicates a significant amount of the early chapters to the physical buildings where these central bank functions were performed, in particular its location on Threadneedle Street where it is still located:

> The church of St. Christopher le Stocks, which stood directly adjacent to the Bank, was being pulled down between 1781 and 1784, and new buildings were being erected on the site to accommodate the institution's ever-expanding work…. The Threadneedle Street site of the new Bank placed it opposite the Royal Exchange and closer to the Exchange Alley, the location of much of the activity in London's stock market…. The transfer to Threadneedle Street was a significant step in the Bank's history.

Murphy credits the move with bolstering the bank's reputation:

> The building of a new Bank of England was representative of a significant change in the institution's fortunes. Following the bursting of the South Sea Bubble in late 1720 and the consequent disgrace of the South Sea Company, the Bank's relationship with the state became smooth and easy and the institution began to be seen as the safe hands into which the nation's finances were entrusted.

Murphy spent many years meticulously researching the required details for the book, and that will be obvious to the reader.

Beyond the physical location of the BoE, Murphy gives the reader a strong sense of the building's rooms and halls and the bustling activity that took place within it in a section entitled "The Customer Experience." The former is conveyed by "three more or less contemporary images." These include a "plan of the [BoE] hall," the cavernous venue for the interactions of those who had business at the BoE; "a plan of the adjoining offices" to the hall; and an 1808 painting by Thomas Rowlandson entitled *Great Hall of the Bank of England*, which gives the reader a visual depiction of the workplace:

> As can be seen in these images, in the hall the public would have seen desks for the cashiers and the in-tellers…. Also in the hall were desks for the convenience of customers needing to write out their names and addresses on notes and to weigh, count and examine ready money.

In a separate chapter entitled "Making the Market," Murphy discusses the Bank Rotunda, the setting for the open outcry markets that took place at the BoE, supplemented by another Rowlandson painting: "[The] Rotunda continued to provide the most important daily opportunity for brokers, jobbers and public creditors to meet and arrange their transactions." To give the reader an even better feel for the environment, Murphy continues:

> [A] visit to the Bank was a sensory experience … a grand space and visually impressive. It would have been noisy at times. Visitors might have been aware of a variety of languages being spoken. Commercial environments were noted for the diversity of their participants…. There would have been many people in the hall and the other offices. The mix of individuals would have produced a mix of smells…The crowd and thus the need to wait to be served may have produced feelings of impatience.

What is a virtuous banker? / Murphy does not dedicate much of the book to the question that logically flows from its title. However, during the introductory and concluding chapters of *Virtuous Bankers*, she does discuss how the Inspectors understood this issue:

> Whatever questions [the Inspectors] had about processes, they remained confident about the importance of the bank to the public. They also asserted the virtue of that work and the diligent and honourable behavior of a majority of the bank's employees. [The Inspectors] remained convinced of the value and virtue of the Bank of England.

Separately, in an online post that Murphy penned to promote *Virtuous Bankers*, she focused on what has been the symbol since 1694 of the BoE's association with the state:

> The institution's directors carefully curated an image of virtue…. The Bank's symbol, Britannia, was repeated throughout the [BoE] building and stamped on its notes, letterheads and ledgers. With her shield and spear and close associations with trade, industry and profit, Britannia offered a clear statement of the conflation of the Bank's aims with the goals of the British state.

Conclusion / I am not entirely convinced of the virtue of the work of the BoE, nor do I understand how virtue is defined in this context or why it even matters. The idea that the BoE board was willing to have a committee scrutinize the bank's operations is impressive, although the appointed members clearly had a conflict of interest in overseeing the review. Outside parties would have been sufficiently distant from operations to conduct a more independent review, but it is not clear that this would have been typical during this era.

What is clear is that *Virtuous Bankers* is a very detailed, well documented, and readable snapshot history of the BoE during the latter half of the 18th century. *R*

FDR's Engines of Tyranny

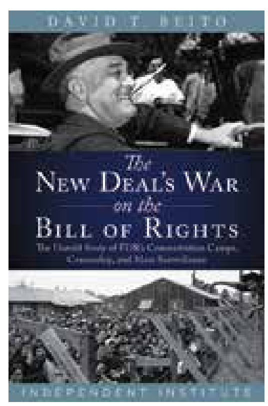
REVIEW BY GEORGE LEEF

Typically ranked among America's greatest presidents, Franklin D. Roosevelt is regarded by most historians as having had a good record on civil rights issues, marred only by the (understandable) internment of Japanese Americans during World War II. Other than that, FDR is lauded for his many "progressive" accomplishments.

But in the mind of University of Alabama history professor David T. Beito, this reputation is undeserved. In his book *The New Deal's War on the Bill of Rights*, he shows that Roosevelt was happy to trample on people's rights whenever they impeded his political goals. Often, FDR was driven by partisanship and a lust for vengeance against anyone who dared to oppose him. If the Constitution got in the way, he ignored it.

Foretaste / Beito begins his survey long before FDR was elected president in 1932. Roosevelt's philosophical guiding lights were his distant cousin, Theodore, who was a proponent of the "New Nationalism" that glorified centralized power, and Woodrow Wilson, who pushed his "New Freedom" agenda that severely restricted actual freedom in favor of state planning.

Beito reminds us that FDR served as assistant secretary of the Navy under Wilson and enthusiastically supported Wilson's assault on freedom of speech for anyone who opposed America's entry into the Great War. During his time in the administration, Roosevelt revealed his authoritarian colors on various occasions, such as his "Newport Sex Squad" that aimed to root out homosexual activity at the Newport (Rhode Island) Naval Station. The sting employed 41 operatives using entrapment and intimidation. After the war, a Senate committee rebuked FDR for the operation, declaring that it "violated the moral code of the American citizen." That was a foretaste of things to come during his 13 years in the White House.



The New Deal's War on the Bill of Rights: The Untold Story of FDR's Concentration Camps, Censorship, and Mass Surveillance

By David T. Beito

404 pp.; Independent Institute, 2023

Silencing the critics / Once in the White House, he often attacked freedom of speech. Beito finds it ironic that in his famous "Four Freedoms" speech, Roosevelt put freedom of speech first since, Beito writes, "he never hesitated to exploit opportunities to restrict the individual rights of dissenters." A good example is FDR's behind-the-scenes push for the US Senate to "investigate" lobbying against the New Deal.

In 1935, with some Americans souring on his economic policies, Roosevelt encouraged his Senate allies to take action against organizations that opposed him. Sen. Hugo Black of Alabama eagerly took the lead. His committee went after groups and individuals, demanding the release of millions of private telegrams. Black (soon to be elevated to the Supreme Court) declared that he was merely trying to find out if any laws were being violated. The true purpose, of course, was to frighten away political donors who might contribute to FDR's Republican opponent in 1936, making them leery of being hauled before the committee and/or subjected to tax audits. Many journalists decried these tactics, including the famed liberal columnist Walter Lippmann, who called the Black committee "an engine of tyranny."

After FDR was easily re-elected in 1936, he continued to pressure his friends in Congress to go after his political opponents. His main attack dog was Sen. Sherman Minton of Indiana. In 1937, FDR suffered several defeats, especially in some Supreme Court decisions that put him, Beito writes, "in the mood for reprisals." The principal target was the National Committee to Uphold Constitutional Government, which was having success with a message tailored to voters across political, occupational, and class lines. In an effort at silencing them, the zealous Minton called many people before his committee, demanding that they produce huge numbers of documents and browbeating them with hostile questions. Again, Lippmann cried foul, calling Minton's committee "arbitrary government and capricious tyranny."

In 1938, Minton went further, introducing a bill that would criminalize the publication of "false news." The bill drew widespread opposition throughout the country, but it showed the mindset of FDR and his allies: the law should be used to silence the administration's critics, no matter what the Constitution might say.

The nation's newspapers mostly stood firm against the administration's efforts to bend them to its will, but radio was different. Beito explains how the emerging technology had come under the control of the federal government during the administrations of Calvin Coolidge and Herbert Hoover, in particular the power of the Federal Communications Commission to license only broadcasters that would operate "in the public interest, convenience, and necessity." Those vague guidelines meant that licenses wouldn't be granted to applicants who, the officials felt, would not be operating in the public interest, or could be revoked if holders angered their FCC masters. Fearful broadcasters did not want to upset federal bureaucrats who held such power.

Shortly after FDR's election, the National Association of Broadcasters announced that its members were "at the service of the administration." Many of them would carry government pronouncements without charge about all the good that New Deal programs were doing and try to tone down or entirely drop broadcasts that were critical. Because of the government's power, radio was largely kept from attacking FDR's policies.

FDR had no more tolerance for anti-war views than Woodrow Wilson had, and sought to silence them through legal action.

World War II / As the clouds of war began to gather in the late 1930s, many Americans expressed the view that the United States should stay out of foreign entanglements. FDR had no more tolerance for those views than Wilson had and sought to silence them through legal action. He had his Justice Department bring cases against non-interventionists starting in 1940. The first case was based on an 1861 statute against seditious conspiracy, but it failed in court. FDR then got Congress to pass a new law that classified as "sedition" not just action against the US government but also advocacy of overthrowing the government or of insubordination in the armed forces. Harvard law professor Zechariah Chafee likened it to a sword with which those in power "will be able to slash at almost any unpopular person who is speaking or writing anything that they consider objectionable criticism of their policies." With the new law, administration officials began to attack critics, going after publications making arguments they disliked. It also used the Post Office in its campaign by denying Second Class mailing rates to "seditious" papers and magazines.

FDR's darkest, most glaring attack on the rights of American citizens was his 1942 Executive Order 9066 for the internment of Japanese Americans living on the West Coast. While many historians have tried to paint the president as a victim of circumstances, forced to go along with expert advice and public opinion, Beito disagrees. He argues that FDR was entirely responsible for the order and showed no reluctance; in fact, he had made anti-Japanese statements as far back as the 1920s.

Following the attack on Pearl Harbor, the government's attention was focused on the question of whether the Japanese American population was a threat to US defenses. Military authorities in Hawaii and California stated that the threat was minimal. Things were calm on that front until January 1942, when California Gov. Culbert Olsen declared that the people of his state wanted the Japanese moved out because they were so "inscrutable." California attorney general Earl Warren (later the chief justice of the US Supreme Court) chimed in, claiming the country was sure to get "Fifth Column activities timed just like the invasions of France and Norway." There was no evidence of any such activity, but that just showed how inscrutable the Japanese were, according to internment advocates. Once the drumbeat for action against the presumed threat began, FDR readily went along, ignoring the reports from his own intelligence people that the Japanese population was overwhelmingly loyal.

FDR's order was duly carried out. Without due process of law, more than 100,000 Japanese Americans were deprived of liberty and most had to sell their property at very low prices. Beito offers this judgment:

> Had Roosevelt deployed his famous charm and eloquence, perhaps citing the four freedoms, he might have prevented much suffering. He did not behave like a president who was trapped by conditions or distracted by other issues … but rather like a man who really did not care.

IN REVIEW

The internment was politically popular, but a few voices were raised against it. Socialist presidential candidate Norman Thomas tried to rally civil libertarians against what he called "totalitarian liberals" but found scant support. Eventually, the American Civil Liberties Union supported two cases that challenged the legality of the internment order.

Those cases posed a problem for the administration because of the possibility that the plaintiffs would present evidence showing that the government had acted contrary to the recommendations of its officials who had declared the Japanese posed little or no threat. That led to a high-level cover-up, complete with document destruction and the preparation of new versions to replace them.

The effort worked. When the Supreme Court heard and decided the cases, it went along with the government's "military necessity" rationale. In the *Korematsu* case, even the three justices who dissented declined to blame FDR; as Beito notes, they pinned the blame for the order on his subordinates. He also notes that the internment camps were kept going long after the Japanese forces had been pushed back across the Pacific and couldn't possibly menace the West Coast. The reason, according to Beito, was that FDR feared releasing the Japanese Americans might hurt Democrats at the polls.

Beito's book is a needed counterweight to the hagiography usually given FDR by historians. Perhaps even more important, it's a reminder that far too many politicians will do whatever it takes to get their way. *R*

A Critical Look at 'Social Justice'

REVIEW BY GEORGE LEEF

Of all the catchphrases in the leftist arsenal, there are none so powerful as "social justice." Demands for a vast array of interventionist policies, from minimum wage laws to food stamps to housing subsidies and progressive taxation, are rooted in the idea that society has treated some people unfairly and therefore must be transformed.

Those calls for transformation invariably entail coercive intervention by the state: *government must do something*. But many of the suggested interventions don't seem all that just, or they produce unintended consequences and perverse incentives. This book, edited by Robert Whaples, Michael Munger, and Christopher Coyne, takes those problems seriously.

What, precisely, is social justice? Can we achieve it without damaging our social and economic foundations? Those are the big questions addressed in the book, with 19 well-chosen essays. The main takeaway is that looking to government for the realization of social justice is a mistake. If you are genuinely concerned about the lives of the poor, the writers gathered here do their best to persuade you that government intervention is not the answer.

Obsessed with outcomes / All the essays make strong contributions to the debate over social justice. I will comment on several that I found especially compelling.

The overarching theme of the book is that "social justice" is a dangerous idea because it shifts the focus of justice away from the actions of *individuals*, and to the results of that great abstraction, *society*. In his opening essay, Whaples explains:

> Shifting from the will of individuals in rendering justice to the outcome of the system of rules achieving justice can be a dangerous leap. To some, it suggests that virtually every inequality arises because the rules of the game are unfair and that the state must intervene whenever there are unequal outcomes.

Whaples argues that debates over social justice need to be anchored in principles that preserve individual liberty while at the same time caring for the wellbeing of others.

In his essay "Social Justice versus Western Justice," Daniel Guerriere argues that the push for social justice undermines the great achievements of Western civilization. It does so by eroding the uniqueness and autonomy of the individual. He states that the equality that matters most, the equality of rights, cannot coexist with a government that's obsessed with equal outcomes for groups.

Adam Martin writes that the United States has long suffered from "justice creep," meaning that Americans have been conditioned through schooling and the media to see life's inevitable inequalities as injustices that call for corrective action by the state. It also stokes resentment among the less fortunate, who hear the social justice rhetoric and conclude that they have been denied their due. Martin observes that "this gets people into the streets and into the voting booth, but it doesn't equip them to deal with issues constructively."

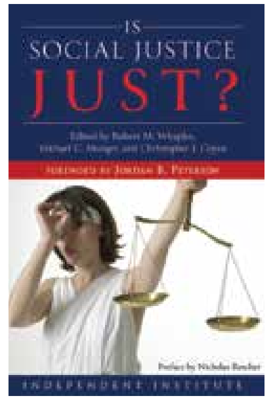
Kevin Vallier considers F.A. Hayek and John Rawls in his essay "Hayekian Social Justice." Rawls's *A Theory of Justice* has animated many to believe that society is fundamentally unfair and must be reshaped to place the interests of the poor at center stage. Hayek, on the other hand (writing decades before Rawls), argued that all members of society are best off if certain general rules are adhered to, particularly limited government that protects property rights, the neutral rule of law, and a market-based economic system. Rawlsian social justice advocates speak as if the poor outcomes for some were deliberately ordained. Valliers responds, "If, as Hayek thought, particular outcomes are not deliberately produced by moral agents, but rather by spontaneous order, then particular economic outcomes cannot be evaluated as just or unjust.” Vallier proceeds to argue that a liberal economic system is in fact just and that turning away from it will prove detrimental.

In his essay “Opting Out: A Defense of Social Justice,” James Otteson contends that we should take social justice advocates seriously but focus the debate away from a collectivist analysis. “Sometimes our desire to find someone to blame for what has befallen us or others is so strong that we impute deliberate reasons even when none exists,” he writes. Rather than demanding that government do something, it would be better to harness the incentives that impel humans to cooperate with and serve others. A good program for achieving social justice would be, in Otteson’s view, “first the removal of formal restrictions placed on any individuals or groups that limit their ability to achieve a flourishing life as they themselves understand it. A second step would be endorsement of political and economic policy that rewards people for engaging in cooperative behavior and partnerships that provide benefit and value to others.” In short, a liberal social and economic system is the best we can do.

Christianity / Several of the book’s essays deal with the arguments that Christianity requires governmental redistribution of wealth in the name of social justice. John Moore examines the longstanding debate among Catholic theologians on the role of the state. Should aid to the poor be just a matter of individual conscience, or should government play a (or even *the*) major role?

Moore juxtaposes the writings of Gustavo Gutierrez and Michael Novak. The former maintained that state action is necessary because charity will not suffice; the latter argued that state action is not necessary and will have harmful unintended consequences. Moore thinks that Novak has the better argument. He points out that individual action creates benefits for both the giver and the receiver:

> The very best of what social justice can be involves a dual relationship between individuals who provide justice and those who benefit from it. The closer these activities can entail involvement on a personal level, the greater the “good” that all parties take away. A great number of “microjustice” events, when added together, is the best conduit to achieving substantive “macrojustice” change.



Is Social Justice Just?
Edited by Robert M. Whaples, Michael C. Munger, and Christopher J. Coyne
348 pp.; Independent Institute, 2023

Also on the theme of the religious obligations of Christians, D. Eric Schansberg argues that there is no biblical warrant for coercive redistribution of wealth. What is morally incumbent upon Christians is to aid the needy of their own volition and to help educate people so they can avoid making bad decisions, both on their own and for society.

Consequentialism / Several essays are rooted in consequentialist philosophy. Pascal Salin argues that an individualist approach to social justice is consistent with the equal dignity of each person, whereas coercive social justice measures will be counterproductive. He writes:

> The obsession with equality becomes destructive of civilization, and it is not surprising that revolutions on behalf of equality lead to the worst inequalities—those coming from the inequality of power. The enrichment by exploitation of others replaces the enrichment gained by serving others.

Andrew Cohen looks at the social justice controversy from the perspective of a “bleeding heart libertarian.” He writes that “concern for the plight of the less fortunate is central to our project.” For him, the great challenge is not to ensure that everyone is equal, but rather to ensure that everyone has enough. He observes that throughout human history, poverty was the norm for almost everyone; that changed because of the emergence of laissez-faire capitalism. It is only due to the freedom that capitalism gives people to use their minds to produce goods and services for profit that the mass of the population was able to escape poverty. Instead of subverting the system that has done so much to improve the human condition, Cohen points to various governmental interferences with capitalism that, if eliminated, would greatly benefit the poor, such as occupational licensing laws.

Continuing to focus on politics as the cause of social injustice rather than a means of achieving it, Vincent Geloso and Philip Magness point out that democracy is principally a game of interest group power—a game that disfavors the poor. They, too, argue that downsizing the scope of governmental power would advance social justice by enabling the poor to pursue their interests.

Similarly, in his concluding essay, Whaples argues that if you are serious about helping the poor, you need to look at a host of policies that block the poor’s own efforts at improving their lives: agricultural programs that increase the price of food, government policies against efficient energy production that hit hardest on those who can least afford high heating bills, labor laws that protect unionized workers from competition, and many others.

Is Social Justice Just? would be especially welcome on college campuses, where talk about social justice is almost ceaseless. Debates should be arranged with the book as background reading. The book would also fit nicely into senior capstone assignments and graduate school seminars. Professors who want to challenge their students to think outside the box of “progressive” orthodoxy would do well to put this book in front of them. R

IN REVIEW

Winter's Introduction to Economic Reasoning

REVIEW BY PHIL R. MURRAY

The first edition of Ohio University economist Harold Winter's *Trade-Offs* appeared in 2005, and it became a popular introduction to economic reasoning. Now he is out with a third, "significantly updated" edition, and I'm raring to introduce readers to his latest insights. The new volume covers issues that appeared in earlier editions, such as the value of a human life, markets for human organs, and copyright law. Issues new to the third edition include eminent domain, criminal law, and healthcare economics. This introduction will startle many newcomers and perhaps even some seasoned economists.

Winter's methodology is: "identify trade-offs, measure trade-offs, and recommend policy." He defines trade-offs as benefits and costs. He cites empirical studies throughout the book that often contradict each other. For example, one economist concludes that the death penalty clearly reduces homicide, while another pair conclude that its effect on the murder rate is ambiguous. Winter states that "empirical studies simply lack the ability to definitively resolve social issues." He anticipates the frustration readers will have with contradictory empirical results, expecting them to wonder, "Can there be no consensus among economists when it comes to important social issues?"

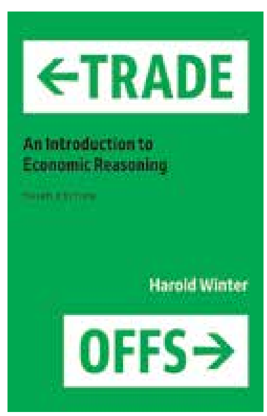
The author typically adopts the goal of maximizing "social welfare," defined as the difference between benefits and costs. Some non-economists overlook benefits or costs. Winter quotes epidemiologists who, in a letter in a 1995 issue of *Regulation* ("Commercialized Nicotine Addiction," Vol. 18, No. 4), seemingly deny there exist any benefits of smoking. Other non-economists object to monetizing benefits and costs. Economists who view the concept of social welfare as uncontroversial may be surprised to learn that Gary Becker and George Stigler argued over whether to include the benefits and costs to criminals in a social welfare analysis of crime. No one pondering social issues is required to adopt the goal of maximizing social welfare (efficiency); they may pursue the goal of equity (fairness). Winter clarifies, "How you want to define social welfare, who to include, whether to be concerned with efficiency, equity, or something else, boils down to a matter of opinion."

Value of life / The author uses news stories to teach economics. When, in 2008, the US Environmental Protection Agency reduced its value of a human life from $8 million to $7 million, there was disapproval. Winter appreciates this reaction: "You put one human life on the scale, and you put the rest of the world on the scale, the scale is balanced equally."

One way of measuring the value of life requires the "risk differential" between two occupations and the "wage premium" one would expect to take the riskier occupation. For illustration, Winter assumes that a riskier occupation entails one more fatality for every 10,000 workers than a less risky occupation, and that a worker expects $500 per year more in wages to perform the riskier occupation. The "value of a statistical life" is then $5 million. "Think about it this way," he writes:

> If 10,000 workers each need $500 to incur the increased risk, we have a total of $5 million the workers are willing to be paid to face, *on average*, one death from their group. It is the "on average" that makes the estimate a value of a *statistical* life.

Estimates of the value of a life range from $4 million to $10 million. Whereas the uninitiated think a regulation is wise if it saves one life regardless of cost, government agencies evaluate regulations by comparing the value of a life to the cost per life saved. For instance, "A 1988 traffic alert and collision avoidance regulation from the Federal Aviation Administration cost $2,100,000 per life saved." That is a good regulation: the benefits ($4–$10 million) are greater than the cost. The following regulation was ill-advised because it produced fewer benefits than costs: "A 1986 arsenic/glass paint regulation from the EPA cost $19,000,000 per life saved." There are ways of spending $19 million that will save more than one life.



Trade-Offs: An Introduction to Economic Reasoning

By Harold Winter

193 pp.; University of Chicago Press, 2023

Gains from trade / Winter is passionate about gains from trade. Take the 1990 California Supreme Court case *Moore v. Regents of the University of California.* The plaintiff, John Moore, was a cancer patient. His doctor, a cancer researcher at the University of California, Los Angeles, advised a splenectomy. Unbeknownst to Moore, the doctor then used his spleen cells to create a cell line, used for research, that was worth billions of dollars.

When Moore realized how valuable his cells were, he sued for a share of the money. "Although there are legal, ethical, and moral issues raised by this case," Winter explains, "the main economic issue involves seeing that the cells end up in their highest valued use." He then follows the reasoning of Ronald Coase: Assuming a doctor has the highest value for the cells because he knows how to create a cell line, he will somehow get possession of the cells and create the line so long as property rights to the cells are clearly defined. If, as a lower court decided in this case, the patient has the property rights to the cells, the doctor will buy the cells and create the cell line. If, as a higher court decided, the doctor has the property rights, the doctor will still create the cell line. Either way property rights are assigned, society gets the valuable cell line. The author adds, "The real issue seems to be one of equity"—that is, should the original cell source get a share of the profits? Without property rights to his cells, Moore did not get rich.

The author is so eager to see resources move from less valuable uses to more valuable uses that he flirts with pramatic ways of doing so.

According to the author, about 90,000 patients are waiting for kidney transplants. "As an economist," he proclaims, "I place a lot of stock in the concept of the gains from trade, and I tend to favor market solutions." If there were a market for kidneys, buyers would pay higher money prices rather than wait in line. Sellers would be motivated by the higher money prices to donate more kidneys. Both patients and donors would gain. But a market for kidneys does not exist.

One objection to such a market is that it would benefit the rich and harm the poor. That objection is weak. Gary Becker estimated that the "market clearing price for a kidney" is around $15,000. Given that the cost of transplant surgery is substantially higher, there would be few patients with the ability to pay for the surgery but not the kidney. Furthermore, for every patient who exits the queue for a "free" kidney in order to purchase one on the market, a poor patient moves closer to the front of the line. To rebut resistance to the market based on the expectation that sellers will be predominantly poor, Winter asks, "Wouldn't the poor reap gains from trade when selling a kidney?" The greatest barrier to a market for kidneys or other human organs is "repugnance," which the author characterizes as "moral outrage." He devotes a chapter to the tradeoffs involved in overcoming repugnance.

Government intervention / When the government exercises eminent domain, it takes private property "for public use" in return for "just compensation." Eminent domain is not a first resort. If the government desires private property for a public purpose, it goes to market. If the most it is willing to pay is greater than the least amount the private property owner is willing to receive, exchange occurs. In contrast, a failure of voluntary negotiation paves the way for eminent domain. First, transactions costs "may be prohibitive." Second, a negotiation will not lead to exchange if a private property owner is unwilling to accept the most the government is willing to pay.

Winter writes:

> Using economic reasoning to evaluate eminent domain boils down to a simple trade-off. On the one hand, eminent domain can help move a resource to a higher valued use when, for whatever reason, a market transaction cannot do so. On the other hand, eminent domain can move a resource to a lower valued use when a market transaction would not do so.

Even though, by definition, buyer and seller in a private transaction agree that they are moving resources from a less-valued to a more-valued use, they may be wrong and reduce wealth as a result. Eminent domain is troublesome because when property owners are forced to give up what they own in return for compensation they view as unjust, there is already disagreement over whether the forced transfer will be efficient.

Eminent domain is abusive when government wields it on behalf of a private party. Take this case:

> In 1981, the city of Detroit invoked eminent domain to condemn a large area in Poletown (a neighborhood of Detroit) to make way for GM's new plant. The condemnation required the relocation of 4,200 people, 1,300 homes, 140 businesses, 6 churches, and 1 hospital. It cost the city $200 million to get all this done, but GM was generous to help with the expenses. GM paid the city $8 million.

That is as egregious as the more recent case of the New London, CT, taking homeowners' properties and transferring them to a private party. Winter stokes the issue with this question: "If you accept that eminent domain does, at least in certain situations, promote efficient transfers, why not allow it to be used for purely *private* transactions in similar situations?" One reason to oppose private corporations using eminent domain is that "endowing them with additional power is not thought of as prudent." Of course, it is not; property owners would likely resist with violence.

Winter retreats from his controversial idea of permitting corporations to implement eminent domain and states, "Perhaps it makes sense to allow the government to act as a middleman to facilitate the transfer of resources from one private party to another." He recognizes that rent-seeking and cronyism will occur. The Poletown and New London cases are quintessential illustrations of what goes wrong. (See "Before *Kelo*," Winter 2005.) The author is so eager to see resources move from less valuable uses to more valuable uses that he flirts with pragmatic ways of doing so. In the end, he points out that "any time a resource moves through a nonmarket mechanism, the potential exists for that resource to move to a lower valued use." That serves as a warning against eminent domain of any kind.

Healthcare / One chapter begins with quotes on the wisdom of preventive healthcare. Winter claims, "I know something the authors of the above quotes do not know—prevention may not be preferable to treatment."

He uses numbers to illustrate. Suppose there is a disease that afflicts 8 percent of the population and requires $10,000 of medical care to cure. If you pay $1,000 for a vaccine, you will not get the disease. "You may decide it is worth spending $1,000 on prevention to avoid the 8% chance of a $10,000 treatment cost," the author reasons, "but you may decide it is not worth it." Assume you and 4,999 others decide it is worth it. The total cost will be $5 million. The expected total benefits are the medical expenses that 400 people dodge: $4 million. Under those assumptions, "prevention imposes greater costs on the health-care system than treatment would have." Under different assumptions, however, prevention would make sense.

There are additional reasons why the net benefits of prevention might be negative. Among them, screening involves false positives and false negatives. Winter notes a study that found a false positive rate for breast cancer of nearly 96 percent. Test results that suggest cancer call for a second test or alternative test; the additional costs hurt the case for prevention. The net benefits of prevention might be positive, at least because prevention delivers "peace of mind." In sum, there is an optimal amount of prevention depending on the prices of prevention and cure.

Newcomers will be startled to learn that there are "*benefits* of smoking." Even seasoned economists might be startled to learn that "overestimating the risk of smoking can lead to *too little* smoking."

Faced with a trade-off between reviewing more issues in less depth and fewer issues in more depth, this reviewer opted for the latter. Note, however, that Winter's analysis goes deeper than this review. Among the topics in the book that I haven't covered are asset forfeiture, preexisting health conditions, regulation of vaping, and offsetting behavior. Buyers of the book will receive an additional bonus: the author's sense of humor. R

From the Past

Against the State and Its 'Public Goods'

REVIEW BY PIERRE LEMIEUX

The anarcho-capitalist notion that the state (that is, the sovereign apparatus of political government) is not a necessary evil but an unnecessary one came to full fruition in the second half of the 20th century, though its roots go back to the 19th century. Anthony de Jasay was never a "mainstream" anarcho-capitalist, but he did define himself as a liberal anarchist, and his arguments are scholarly, original, and deep. (See "A Conservative Anarchist? Anthony de Jasay, 1925–2019," Spring 2019.) His book *Social Contract, Free Ride*, first released 35 years ago, did not get the reception it deserved in economics or political philosophy circles. To counter that, I offer this review "From the Past."

De Jasay argued that the main justification for the state—that it produces or finances so-called "public goods" (e.g., parks, streets, public security)—is economically flawed. Even if we assume that all individuals are self-interested and even selfish, some of them want some public goods enough that they would be willing to pay something to obtain them, notwithstanding that others would free ride on their contributions. Hence, de Jasay claimed, there is no need for an overall social contract to enforce private contracts and property. Let's test his arguments and, in the process, review important concepts in the economics of government.

The problem of public goods / In game theory, a pure coordination game is an interaction where the acting parties have a common course of action that each considers optimal: driving on the same side of the road (either left or right, but not both), trading instead of fighting with a just-encountered stranger who is equally armed, and so forth. In such cases, coordination through agreement (contract, whether formal or informal) is generally possible without a superior coordinator because it is in the mutual interest of both parties. Contracts would presumably be the main coordination instrument in a state of nature—that is, in anarchy.

A contract needs to be enforced. Spot contracts where exchange is simultaneous and even some forward contracts (especially when future performance will be simultaneous) are self-enforcing when each of the two parties has an interest in the exchange taking place. Generally accepted conventions play a role: before the modern state, councils of elders, priests, guilds, towns, and merchant jurisdictions helped as enforcers of contracts. Only later did the king, with his superior force, succeed in imposing his own courts and public law.

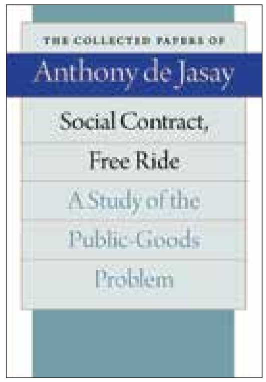
The hard case lies in interactions represented by a different game-theoretical model, the so-called "prisoner's dilemma" (PD). A simple PD is an interaction in which it is in the interest of each of two parties to defect (not cooperate) *whatever the other does*, in the hope of free riding on the cooperation of the latter. Defection is the "dominant strategy" for each player.

As an example of the basic PD problem (and a mnemotechnic device), imagine that the "game" consists in deciding whether you and your neighbor will voluntarily contribute to build a sand barrier that will divert the nearby river and protect your two properties in case of flooding. The best outcome for you is if only your neighbor pays for, or builds, the barrier and you free ride on his contribution. Your payoff from the game is *F* for "free ride." The second-best payoff for you is that the barrier is built and both you and your neighbor pay your fair share (*B* for "both"), because by hypothesis your own benefit will still be higher than your cost. Your third-best outcome is if neither contributes (*N* for "neither"): you may get flooded, but you avoid paying for the barrier. And the worst that can happen to you is that you must pay the whole cost because the neighbor defects (that is, he doesn't send the check); you are the sucker (*S*) because you pay for both your benefit and your neighbor's. Your neighbor has the same preferences *mutatis mutandis*. The structure of the PD game in terms of payoffs for each player is thus $F > B > N > S$ (the "greater than" operator means "preferred to"). The free rider problem is the following: Since both you and your neighbor individually prefer to free ride and hope the other will pay, neither of you pay, and this "public good"—which you both want—is not produced.

The mainstream economic definition of a public good refers to a good (or service) that is non-rival in consumption (or "indivisible") and non-excludable. Non-rivalry means that such a good can be simultaneously consumed by several individuals once it is available to one. The flood barrier or an old-style lighthouse meets this definition; so does, for a larger public, national defense or criminal deterrence. Non-excludability means that consumers cannot be excluded from its benefits once the good is made available to some: free riders who don't contribute to financing a public good can still enjoy it. Thus, everybody free rides and the good is not produced. Public goods are an instance of PD.

Everybody wants a public good but nobody will voluntary pay for it; hence the necessity of the state to provide it. Given the impossibility of reliable contracts to produce public goods, a broad social contract is required that will force individuals to contribute for their own good according to their own preferences. The social contract will receive unanimous agreement—or so goes the mainstream argument. But in *Social Contract, Free Ride* (as in many articles), de Jasay argued against both the idea that the production of public goods requires the state and that the state can be seen as the product of an overarching social contract.

Voluntary production / De Jasay denied that the PD structure of preferences necessarily characterizes public goods. Although each self-interested individual naturally prefers to free ride if he can, he may value the public good to such an extent that he would rather pay for it himself than go without it, even if he knows that others may free ride on his voluntary contribution. With this ranking, no individual has a dominant strategy like the non-cooperation strategy of the PD model. This alternative game, which de Jasay called the "straddle" game, is also known as the "chicken game."



Social Contract, Free Ride: A Study of the Public Goods Problem

By Anthony de Jasay

288 pp.; Clarendon Press (Oxford), 1989; Liberty Fund, 2008

In this game, some individuals will *volunteer for the role of sucker* if they think it's the only way for them to enjoy the public good. Each individual's preferences are $F > B > S > N$, instead of the PD preferences seen above. As indicated by the order of *S* and *N*, the players prefer to be suckers rather than be deprived of the public good.

De Jasay offered a proof that this structure of preferences is both a necessary and a sufficient condition for some suckers to probabilistically offer a voluntary contribution or "subscription." In short, if his utility from the public good is high enough compared to its cost, a potential sucker may offer to subscribe, knowing that the worst that can happen is that the project does not gather enough subscribers and is canceled, in which case he will get his money back. Some readers may find de Jasay's formal proof inconclusive, if only because it relies on the cardinal utility of a "representative member" of the society under consideration. But the proof does point to the possibility that a sufficiently large group of individuals may want the public good with enough intensity to be willing to pay for it even if they risk that others will free ride on their contributions.

For each individual, volunteering to be a sucker is a probabilistic decision that depends on how many other suckers he thinks will come forward. The more of them there are, the less likely one individual's contribution will prove decisive for the minimum financing required, and the less likely he will be to volunteer. The fewer volunteers he expects to subscribe, the more likely an individual's contribution will be decisive for the minimum financing required, and the more likely he will be to volunteer. So, there is some probability that some public goods would be produced in an anarchic society.

This probability will be higher or lower depending on the extent to which expectations are coherent among individuals. It is only in rather paradoxical extremes, de Jasay argued, that we are virtually certain that the public good would *not* be voluntarily provided. For example, if the probability of everybody subscribing is generally thought to be close to 1, I have little reason to subscribe, and the same for everybody else; so, the subscription for the public good will not raise any money. But even in this last case, perhaps another subscription will be launched, by the same or another business, after it is realized that everybody regrets the demise of the project.

That rational and self-interested individuals may choose to volunteer for the sucker's role seems to be confirmed by experience. Even in our state-dominated societies, many individuals voluntarily contribute to financing "public goods" by contributing to charities, concert halls, etiquette, and so forth. De Jasay gave the example of "the first sewage systems of new towns in the English Midlands and Lancashire in the Industrial Revolution."

Mainstream economists counter that even if some public goods were financed and produced in an anarchic society, their provision would be below the "optimal" level. De Jasay recognized—along with other economists in the broad Public Choice or Austrian traditions—that there is no way to know if a level of production is "optimal" or not except by letting free markets balance demand and supply. Transaction costs are real costs, and the state carries its own. The claim that, on free markets, production of something is not optimal is, de Jasay noted, "only on the authority of someone's say-so."

It is thanks to coercion that the state makes the provision of public goods certain. But, as suggested, the production of public goods does not necessarily require the surrender of free choice, including the freedom to free ride. And there is no general reason to get angry with free riders, because free riding is inseparable from social interaction. "In the last analysis," de Jasay wrote, "all arm's-length social coexistence and cooperation that is not exchange under contract carries within itself an element of potential abuse by free riding."

These conclusions would be reinforced if motivations other than self-interestedness are in play. Toward the end of the book, de Jasay imagined an "ethics turnpike" with many exits or forks offering opportunities to contribute to public goods out of moral motivations such as humanist-altruist, prudent-Kantian, and clannish-tribal. But we have seen that, even with a self-interested *homo economicus*, they can be produced, at least to a certain extent.

How "fairness" produces free riders / The social contract and the state emerge not because of the absence of cooperation in the production of public goods, but from the demand for greater "fairness" in their financing. Fairness is invoked against justice, the latter being derived from (voluntary) contracts. In reality, however, the state will not produce much fairness with its public goods.

De Jasay argued that the public goods problem is of concern not because these goods are non-excludable (which is, anyway, a matter of degree and cost: a street or a park can be excluded with a sufficient number of barriers, toll booths, guards, or electronic equivalents) but because they are de facto not excluded. The essential feature of a public good is "*the possibility of benefiting without contributing*" (de Jasay's emphasis). What the state achieves is the "uncoupling of individual benefits from contribution." A public good becomes whatever the state decides it is. (James Buchanan offered a similar idea: for him, the social contract includes rules that determine what public goods will be.)

An interesting consequence follows: "While the intent of the social contract is to suppress free riding, its actual effect is to open up an altogether new ground on which it thrives with impunity," de Jasay pointed out. In the state of nature, free riding is limited by the risk that the good will not be available at all, but there is no such built-in check under the state. Once the state can create public goods, everybody's dominant strategy is to ask for more of those he likes—that is, whose benefits are higher than his diluted tax contribution. Instead of free riding on others' voluntary contributions, free riders in a society governed by the state exploit coerced taxpayers by obtaining "free" stuff for themselves. Not surprisingly, private goods that are made public by the state—healthcare is a good example—become overcrowded as much as more conventional public goods like streets or roads. The more overcrowded is a public good, the more intense are the political pressures to produce more of it.

This way, the social-contractual state naturally moves toward the "Maximal State" instead of the "Minimal State," "without being 'chosen' in any proper sense of the word, and without anybody in particular being noticeably pleased by it." Buchanan and the school of constitutional political economy argued that rational (virtual) signatories of the social contract will constrain the state with constitutional rules limiting its domain. De Jasay challenged that idea. His counterargument is that the state created by a social contract is designed to be non-unanimous and to prevent some individuals from vetoing what a future majority may want. In a sense, the social contract can only be unanimous regarding a future discretionary state.

Social Contract, Free Ride also challenges the idea that the quest for fairness underlying the social contract will yield greater fairness in redistribution. The last words of the book are that this system "self-evidently leads to less fairness considered as the measure of immunity of each from the unrestrained will of all, and as the measure of the responsibility of each for the consequences of his own actions." The state replaces contract and justice by command and arbitrary "fairness."

Conclusion / Did Anthony de Jasay prove that public goods—in the sense of goods that automatically benefit many people whose exclusion is costly—could be voluntarily financed by self-interested individuals (and voluntary groups) in a stateless society? That their provision doesn't require depriving free riders of their liberty? That the state is not only redundant but positively harmful? That a social contract cannot justify the state? He certainly offered serious arguments. I find his mathematical demonstrations underwhelming; mathematical economist and independent scholar Daniel Kian McKiernan describes them as "at best heuristic." De Jasay's demonstrations in English, though, are good enough to be taken seriously.

I think the jury is out on the larger question of "ordered anarchy"—whether it requires the state, as Buchanan believed, or is defeated by it, as de Jasay thought. The latter certainly showed that the state, even if created by a tacit social contract, is far from being the easy and obvious solution that many think it is.

De Jasay espoused classical liberalism together with what he believed to be its natural anarchist extension. In *Social Contract, Free Ride*, he defined liberalism as "a broad presumption of deciding individually any matter whose structure lends itself, with roughly comparable convenience, to both individual and collective choice." We can certainly agree with this rather moderate presumption as a general principle. R

Working Papers ⊷ BY PETER VAN DOREN

A SUMMARY OF RECENT PAPERS THAT MAY BE OF INTEREST TO *REGULATION*'S READERS.

Unions

■ **"What Do Unions Do? Incentives and Investments," by Vojislav Maksimovic and Liu Yang. SSRN Working Paper no. 4565288, September 2023.**

Unionization efforts at Amazon.com and recent strikes by autoworkers and movie and television actors and writers raise questions about the effects of unions on worker productivity, compensation, and job security. To answer those questions, this paper examines plant-level data from 2010 to 2017 from the Census of Manufacturers and the Annual Survey of Manufacturers.

It finds that wages are higher at unionized plants, but controls for location, industry, and firm characteristics reduce the premium. Union plants, on average, pay 7.5 percent more in hourly wages to production workers and have 17.8 percent higher benefit costs. But unionized plants have lower wage growth and higher closure rates. Taking those characteristics into account, the net present value of the wage premium for unionized workers is only 3.6 percent over five years and becomes negative over 10 years.

Why do union wages grow more slowly and unionized plants close? Unionized plants experience a productivity loss ranging from 3 to 8 percent compared to their non-unionized counterparts after controlling for industry and location fixed effects as well as firm characteristics. Even within firms, unionized plants are less productive than non-union plants. And unionized plants have 3 percent less capital investment controlling for industry, location, firm size and age, and labor force education.

Criminal Convictions and Employment

■ **"Labor Market Impacts of Reducing Felony Convictions," by Amanda Agan, Andrew Garin, Dmitri Koustas, et al. SSRN Working Paper no. 4606702, October 2023.**

Previously in *Regulation*, law professors J.J. Prescott and Sonja B. Starr described a Michigan program that allowed criminal convictions to be expunged. ("The Power of a Clean Slate," Summer 2020.) Those who received expungements experienced a wage increase of 23 percent within a year of expungement.

California Proposition 47, implemented in 2014, reclassified certain theft and drug possession felonies to misdemeanors. About 1 million Californians were eligible. This paper examines the effects of that law in San Joaquin County, where, unlike Michigan, eligible individuals did not have to apply to have their convictions altered; instead, public defenders could initiate the reductions without consulting the defendants. The ordering of these reductions basically was random for a large subset of defendants, allowing for the study of resulting employment and wage effects. In addition, the study implemented a randomized trial to notify a random subset of individuals who received public defender–initiated reductions of their record.

The paper found no effects on employment or incomes, and the outcomes for those who were notified of their change in status did not differ from those who were not notified. These results suggest the positive Michigan effects stemmed from the non-random population of those who initiated expungement.

Cash Transfers and Low Birthweight Infants

■ **"The Long-Term Effects of Income for At-Risk Infants: Evidence from Supplemental Security Income," by Amelia A. Hawkins, Christopher A. Hollrah, Sarah Miller, et al. NBER Working Paper no. 31746, September 2023.**

University of Chicago economist James Heckman has demonstrated that early childhood social and educational interventions among disadvantaged families promote increased later-life success: better health and employment with higher earnings. This paper extends Heckman's research by examining the effect of cash transfers to the families of low birthweight infants.

Infants with birthweights of less than 1,200 grams (approximately 2.6 pounds) qualify for disability payments under the federal Supplemental Security Income (SSI) program. Those eligible receive, on average, an additional $146 per month in SSI benefits during their first year of life, $141 per month at ages 1 and 2, and $33 per month between ages 3 and 10, compared to infants with birthweights just above this threshold. These transfer amounts are large relative to family income, representing an increase of about 27 percent compared to average pre-birth income at ages 0 through 2, and an increase of about 6 percent at ages 3 through 10. Benefits total more than $8,000, or approximately 129 percent of pre-birth income in the sample.

Using administrative data that avoid the misreporting of information in surveys, the study finds no differences in outcomes for those eligible for the transfers because their birthweight is just under 1,200 grams versus those ineligible because their birthweight is just above 1200 grams. There were no effects on the number of days hospitalized after birth, emergency department visits, infant mortality, high school grade point average, enrollment in gifted and talented programs, enrollment in math or science courses, Advanced Placement course completion, college attendance, college degree receipt, earnings, adult transfer program use, or mortality in early adulthood (up until age 29). R