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# Readings

## of particular interest

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### **The State as Propagandist**

*When Government Speaks: Politics, Law, and Government Expression in America* by Mark G. Yudof (Berkeley: University of California Press, 1983), 323 pp.

According to a popular legal view, the First Amendment creates a "system of freedom of expression" that rests on the ideal of self-controlled citizens making informed policy choices. But what if the government itself, with its vast resources, speaks loudly enough to influence the voters? In this book Mark G. Yudof, professor of law at the University of Texas, addresses the legal status of government-as-communicator.

Yudof observes that governments at all levels have become major players on the battleground of ideas. Perhaps the most important persuasive role they play is in the public schools, but governments also publish books, magazines, and pamphlets, produce films, carry on and publicize research, and pay private grantees to do all these things. The federal government has become one of the largest advertisers, with messages on subjects ranging from toy safety to military recruitment. Government can also take advantage of its role as prime newsmaker to spread, leak, or falsify information favorable to its case; equally important, it can withhold embarrassing information.

The inherent risk, of course, is that government will use its sway over public opinion to engineer a "false consensus" for its favored policies. That, Yudof says, would short-circuit the process by which democratic governments are supposed to respond to the will of the majority.

In totalitarian countries, this manipulation of public opinion is a matter of high policy. Such governments pioneered the use of new forms of mass communications during this century to reach every household with their mes-

sages. Yudof believes the United States has avoided the worst excesses of this sort, although it is not without blotches on its record. The Creel Committee, which President Woodrow Wilson established during World War I to publicize the atrocities of the enemy and encourage national unity, "subsidized the production of books, produced films and slides, authored 'canned' editorials, and even had a staff that drew political cartoons." The committee enrolled 75,000 speakers to relay its messages in movie theaters around the country. During World War II, the Office of War Information pursued many of the same objectives, but did so using what the author believes to be less sweeping and questionable tactics.

The line between indoctrination and education can be hard to draw. Much of the government's communication activity, the author notes, does not seem to be aimed at changing citizens' policy views; it is merely incidental to other government functions. For instance, consumer agencies may use "education" campaigns as a substitute for coercive regulation. Moreover, the government is uniquely situated to provide citizens with information about its own activities.

A number of other factors, in Yudof's view, combine to limit the danger that government speech will turn into propaganda—at least in this country. For one thing, the division of powers between different levels of government and between Congress and the executive branch makes it less likely that there will be a concerted effort to spread the same message. Also, high-ranking government officials often delegate communications functions to their subordinates, which can accomplish a similar sort of decentralization. Perhaps most important, the author says, there has been a general tradition of government restraint on the issue in this country.

The courts, however, are being asked to resolve a growing number of cases that argu-

ably fall into the government-speech category, including school-newspaper, public broadcasting, and election-finance cases. Yudof believes that courts are ill-suited to draw the line between the uses and abuses of government communication. Nonetheless, "concerns about limits on government speech are clearly among the factors judges may legitimately consider in deciding hard cases."

The author's preferred technique for doing this is for judges to take a hard look at whether legislative bodies have really authorized an instance of executive-branch speech. If the answer is no, the court can strike down the communication as *ultra vires*, that is, beyond legally authorized power. Courts have frequently invoked this doctrine to restrain state and local governments from lobbying for or against pending referendum issues. The advantage of this technique, Yudof says, is that it drops the question back in the lap of the legislature—and thus limits the danger that an "imperial judiciary" will frustrate democratic choice.

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## A Squeeze on Coal Leasing

*The Making of Federal Coal Policy* by Robert H. Nelson (Durham, N.C.: Duke University Press, 1983), 263 pp.

About a third of the known coal in the United States is located on land owned by the federal government, the great bulk of it in the West. This coal, like privately owned coal in the West, has been brought into production only relatively recently. Western coal production—non-federal and federal combined—has risen from just 5 percent of U.S. production in 1967 to 36 percent today. Wyoming is now the third-ranking coal-producing state in the United States, trailing only Kentucky and West Virginia.

As coal production has shifted westward, however, it has run into strong political resistance. In 1977 environmental groups and eastern coal interests convinced Congress to enact amendments to the Clean Air Act that discourage utilities from burning "clean" (low-sulfur) coal, which is the kind of coal mined in the West. The main target of opposition, however, has been the process of leasing coal on federal land to private operators. Although op-

ponents have not been able to block the growth of federal coal *production*, they have largely succeeded in halting new federal coal *leasing* for over a decade—as Interior Department economist Robert Nelson recounts in this book.

Until around 1970, federal leasing policies aroused little controversy, and most coal now being mined on federal land comes from tracts that were leased before then. By that year, 17 billion tons of coal reserves had been leased, a backlog amounting to more than twenty-five years of U.S. production. The Interior Department suspended further leasing in 1971, on the grounds that little of the leased coal was being developed. This suspension was to grow into a ten-year moratorium on new leasing.

The enactment of the National Environmental Policy Act of 1969 enmeshed the department's resource management programs in legal complications. The act required that the government complete an adequate environmental impact statement (EIS) before taking any major action that might affect environmental values. "Public-interest" lawyers soon found they could delay a controversial project for years simply by challenging as many details of the EIS as possible. Judges began holding agencies to ever more intensive levels of scrutiny. "'Telephone-book' EISs became commonplace as Interior agencies sought to cover every conceivable subject that might cause an EIS to be rejected by a court." This strategy often failed. Nelson writes that "for a couple of years in the late 1970s the Interior coal, rangeland and timber management programs—a major part of the Department's overall responsibilities—were operating under court orders imposing significant management directions."

A 1976 Supreme Court decision (in *Sierra Club v. Morton*) curbed the trend toward more EIS scrutiny. But other avenues remained open. After the Interior Department proposed to resume leasing in 1975, environmentalists again went to court to block its proposed program. They objected to provisions that would have allowed market forces to determine the rate and location of coal development. In the first place, they said, Interior had not proved that the new coal was really needed. After all, many tracts leased in the 1960s were still undeveloped (although Interior pointed out that these tracts were often located in faraway areas and that coal transport costs are high). Second, they

said that Interior had not fully accounted for the impact its leasing program might have. The only way to do this, they said, would be to abandon its open-ended leasing scheme and instead specify targets in advance for where, when, and how much coal would be mined—and not only on public land, but nearby private land as well. (Even when the federal government does not own the land, it tends to control the development of western coal. Developers operating on private land often need to develop their coal jointly with the intermingled federal coal, and frequently they also need federal permission for transport rights-of-way, water access, and other preconditions for development.)

A federal judge agreed with the plaintiffs and blocked Interior from resuming leasing. Rather than appeal the decision, the Carter administration decided to try to design a new leasing program that would be acceptable to the court and the environmentalists, because it would embody the central planning approach favored by those parties. Under the Carter program, the Department of Energy would calculate presumed national needs, allocate coal production goals to each region based on these targets, and finally set regional coal leasing targets to achieve the regional production goals. This is the system that was finally put into effect.

But this scheme has been unable to cope with rapidly changing market conditions, Nelson asserts; the production goals have become discredited or outdated almost as soon as they have been announced. For example, the Carter program was adopted in June 1979, when the time seemed ripe to resume leasing since a boom in energy markets was about to begin. But the process of land use and environmental review held up leasing for more than two years, and the first lease sale in the most important coal area was not held until April 1982—by which time energy markets were rapidly weakening. Not surprisingly, the federal government got much less money than it had expected, and critics charged that the program was a “give-away.” Congress imposed another moratorium on federal coal leasing in 1983, which expired recently; leasing has not been resumed, however. (See “The Coal Leasing Scandals,” *Regulation*, March/April 1984.)

The saving factor, from the point of view of coal consumers, has been that coal production

has continued to grow rapidly on the tracts that were leased earlier. By 1983, however, the inventory of leased tracts available for opening new mines had been significantly depleted. What is ironic, Nelson says, is that a resumption of federal leasing might well benefit the environment. The predominant form of mining in the East is underground mining, which is both dirty and dangerous to workers and local residents. The alternative is strip mining. But strip mining may do more damage in the East and Midwest than in the West. In Appalachia the slope of the land is normally much steeper and the seam of coal is thinner, which means that much more surface area must be displaced to get a given volume of coal; in the Midwest, prime farmland must often be torn up.

Furthermore, the low sulfur content of western coal helps reduce urban pollution and acid rain. Even after expensive scrubbing, eastern coal may still result in greater sulfur emissions than unscrubbed western coal. Finally, to the extent new leases would displace production from older western mines, the environment might also benefit; new federal leases undergo much more vigorous environmental scrutiny than the old.

Nelson says that the moratoriums have provided windfalls to a variety of groups, but have had little policy justification. In the long run, he believes that the best solution is simply for the government to sell off the highest quality and most promising deposits—and withdraw itself from the dilemmas it faces as a resource owner.

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## Untying Washington's Apron Strings

*Regulatory Federalism: Policy, Process, Impact and Reform*, Advisory Commission on Intergovernmental Relations, February 1984, 326 pp.

For more than a century Washington has been encouraging state and local governments to act in the ways it prefers by attaching strings to its grants. And throughout that period state and local officials have complained that federal requirements interfere with their ability to discharge their duties, while saddling them with new responsibilities and costs. Now a bipartisan federal commission representing all three

levels of government, the Advisory Commission on Intergovernmental Relations, has addressed many of these concerns and called for reforms in the intergovernmental regulatory system.

In the early years the federal government mostly used the "carrot" of financial subsidy rather than the "stick" of compulsory regulation to influence other levels of government. States could and did turn down grants-in-aid: Arizona's long-standing refusal to participate in Medicaid is one example. Things began to change during the late 1960s. Although grant participation was still theoretically voluntary, the amounts involved grew to the point where it became difficult for a community to say no to many programs without incurring major financial losses or depriving its citizens of needed services. At the same time, Washington began extending its controls to a much wider policy sphere. Earlier controls had often been related directly to the purposes of the program, designed to ensure that money was spent economically or for the stated purpose; the newer controls, in contrast, sought to police state behavior in such wide-ranging areas as civil rights, equal access, public participation, and environmental protection, and some were imposed with or without the acceptance of federal aid.

Mandates took a number of different forms. For instance, if a state failed to comply with one regulation, it might lose a grant in an entirely different program. These "crossover sanctions" can be highly influential: when Congress decided in 1974 that states would lose federal highway construction money unless they enacted the 55 mile speed limit, every state complied with the edict within two months.

Even more sweeping are "crosscutting" rules that are attached to all grants across the board. The classic example is Title VI of the Civil Rights Act of 1964, which stipulates that "no person shall . . . be subjected to discrimination under any program receiving federal financial assistance."

Not all federal regulation of the states goes on through grant programs. States must obey certain laws and regulations—known as "direct orders"—under the threat of civil or criminal penalties. For example, the Equal Employment Opportunity Act of 1972 requires state and local government employers to comply with the same rules against job discrimination that were imposed on private employees in 1964.

Another method of overriding state and local powers is "partial preemption." Under this method, the federal government establishes basic policies, but administrative responsibility may be delegated to the states or localities if they meet certain nationally determined standards. An early example of this regulatory technique was the Water Quality Act of 1965, which authorized the Department of Health, Education, and Welfare to apply federal water standards in any state that failed to set its own standards within one year.

The ACIR report contends that the newer forms of federal intergovernmental regulation result in a blurring of the constitutional boundaries of federal power. The Tenth Amendment, part of the Bill of Rights, provides that "the powers not delegated to the United States by the Constitution, nor prohibited by it to the States are reserved to the States respectively, or to the people"—language that suggests that some important powers must be reserved to the states. But efforts by the states and their political subdivisions to stem perceived federal encroachment by invoking the Tenth Amendment have been largely unsuccessful.

The only major recent victory for the state-sovereignty view based on Tenth Amendment claims came in 1976, when the Supreme Court declared that the states are constitutionally immune from certain federal labor regulations (in *National League of Cities v. Usery*). But the Court specified that the immunity applied only to the states' integral operations in areas of traditional government functions such as fire and police protection, sanitation, and public parks. The executive branch has construed the word "traditional" very narrowly, and the Department of Labor has managed to extend its regulations to a substantial number of state and local employees in such areas as mass transit, alcoholic beverage stores, and off-track betting corporations.

The report recommends that crossover sanctions be eliminated, charging that they breach the traditional legal conception of grants as a quasi-contractual relationship in which the obligations of both parties are spelled out clearly beforehand. It quotes the Supreme Court's recent remark in *Pennhurst State School and Hospital v. Halderman*: "Though Congress' power to legislate under the Spending Power is broad, it does not include surpris-

ing participating states with postacceptance or 'retroactive' conditions"—a remark that would describe many crossover sanctions.

## How to Handle a "Contestable" Market

"Deregulation and the Theory of Contestable Markets" by Elizabeth E. Bailey and William J. Baumol, in *Yale Journal on Regulation*, vol. 1, no. 2 (1984), pp. 111-137.

For many years, regulators considered it necessary to apply entry, exit, and pricing controls to such industries as passenger airlines, trucking, banking, and railroads. Their rationale was that these markets, largely because they are subject to economies of scale, had a built-in tendency toward monopoly or at least harmful oligopoly. One of the analytical underpinnings of the deregulation of these industries, according to Elizabeth E. Bailey of Carnegie-Mellon University and William J. Baumol of Princeton and New York Universities, was the emergence of the theory of "contestable markets." This theory focuses attention not on the number of firms that currently operate in a particular market, but on the number of firms that could "contest" it and on the barriers to entry and exit that keep other companies from entering and contesting the market.

A perfectly contestable market is defined as one into which firms can enter and then, if they choose, exit without losing their investment. Such costless entry can be accomplished in several ways. In some industries, the equipment needed to operate can be quickly and easily bought and sold. In others, new entrants can arrange contracts in advance with their future customers to ensure profitability. The ease and costlessness of exit are important in convincing a potential entrant that it will incur risks no greater than those of a firm already in the market.

The authors' analysis indicates that a perfectly contestable market, because of the constant threat of entry, should have many of the qualities usually ascribed to "perfect competition." In particular, incumbent firms in such a market should not earn "excess" profits, and should not find it profitable to adopt "preda-

tory" pricing strategies (pricing below marginal or incremental costs). Moreover, the firms and the industries of which they are a part should operate with maximal efficiency. What is particularly important is that these happy results obtain even if the industry or market consists of only one or a few big firms, rather than the infinite number of tiny firms associated with "perfect competition."

Contestable-market theory is important for deregulatory policy, the authors say, both in identifying the areas in which deregulation will serve the public interest and in showing how the performance of both regulated and deregulated firms can be improved. Where a market is highly contestable it is difficult to justify regulation, they argue, and where it is not highly contestable its performance can be improved by increasing contestability, that is, by facilitating entry and exit.

Using this standard, they evaluate some of the deregulatory moves that have recently occurred. Such industries as aviation, trucking, and buses were prime candidates for deregulation on the contestability criterion, since the capital equipment used by such companies is the ultimate in mobility (Alfred Kahn has called airplanes "marginal costs with wings"). If, for example, a single barge line operating in one branch of a network of waterways attempts to overcharge its customers and thus earn monopoly profits, one can expect that barge lines from elsewhere on the network will quickly invade its territory, undercutting the incumbent's business and profits. Similar observations apply to other transportation industries with highly mobile capital.

Thus, in the authors' view, it was entirely appropriate that such industries were selected as the target of deregulation. They believe it was also appropriate that railroading, where exit and entry are not nearly so simple, be deregulated only partially, and that portions of rail traffic not subject to strong competition (perhaps from other modes) continue to receive regulatory attention. This is the pattern that has in fact emerged.

Study of the experience with airline deregulation so far indicates that the industry has not yet settled into the sort of equilibrium one would expect in an almost perfectly contestable market. Profits have, for example, been higher along routes served by less than four

carriers than on more crowded routes, and the airlines have employed the sorts of competitive techniques one might expect of oligopolists in a less contestable market. But the authors say that may be because fluctuations in general business conditions along with other sharp changes (including changes in fuel prices) have prevented anything like an equilibrium from emerging in recent years. Moreover, airports, unlike airplanes, are not a mobile form of capital, and the officials who ultimately control the distribution among airlines of scarce landing slots at busy airports have not always been eager to foster competition. Contestability analysis suggests, the authors say, that the public interest would be better served if the methods for assigning those slots were drastically revised—and if authorities in general took more care not to erect artificial barriers to entry.

## A Simulation of Seizures

“A Theory of Expropriation and Deviations from Perfect Capital Mobility” by Jonathan Eaton and Mark Gersovitz, in *The Economic Journal*, vol. 94 (March 1984), pp. 16-40.

Economic theory predicts that, in a well-functioning world economy, capital should earn the same marginal return in each country. If there are unused opportunities to earn above-normal returns in one country, capital should flow in from another in the form of loans or investments.

Obviously, the world economy is not well-functioning in this sense; the return to investment capital is not equated in different countries. A major reason is that there are impediments to perfect capital mobility. One such impediment is that investments in less developed countries risk being seized, if not in their entirety, then at least partially through such halfway measures as currency exchange controls and unpredictable increases in the host country's level of taxation. One researcher estimated that 20 percent of the value of foreign investments made in less developed countries during the period 1956-72 was expropriated without compensation.

Writers in the past have taken the phenomenon of expropriation as a given and analyzed

it using the tools of political risk analysis. In this paper, Jonathan Eaton and Mark Gersovitz of Yale University and Princeton University respectively, develop an economic model of expropriation that assumes utility-maximizing behavior on the part of host countries and investors. For simplicity, the model posits that there are three factors of production—capital, labor and managerial services (which the foreign investor may supply along with its capital). It also assumes that, of these three factors, only capital can be expropriated. Finally, it assumes that at the time the foreign investment is made, capital and managerial talent are completely free to move between countries while workers are completely immobile.

Eaton and Gersovitz develop a number of implications from this model about when and where expropriation is likely to occur, how it is likely to affect the welfare of the host country, which industry and national characteristics increase the risk of expropriation, and how producers and their home governments are likely to alter their behavior to cope with it. One of the broad conclusions that emerges is that, even if expropriation rarely happens, the mere threat of it can significantly distort the international allocation of capital.

Another implication of the model is that a government's ability to expropriate foreign investments may actually reduce its welfare. The reason is that the prospect of expropriation leads foreign investors to curtail their investments before the fact. One implication is that if a host country faces a credible penalty for expropriating foreign capital—if, for example, the home governments of foreign investors can effectively retaliate against it—it may actually be better off. In fact, the steeper the likely penalty, the better off the potential expropriator will be. The only exception occurs where the foreign investor holds a monopoly position; in that case the threat of expropriation can reduce the investor's monopoly profits and increase the host country's national income.

Furthermore, by depressing the supply of foreign investment, the threat of expropriation distorts the domestic economy of the host country in several ways. Local owners of capital may profit from the lack of foreign competition, but local workers are likely to lose. An expropriating country may also cut itself off from needed managerial talent, either because foreign man-

agers deliberately boycott known expropriators, or because the unique skills that the foreign investors brought to the domestic market are no longer available.

Lastly, the model suggests that the threat of expropriation can affect a foreign investor's choice of production technology. A host country is unlikely to expropriate a business if it would subsequently find great difficulty in attracting enough skilled managers to run the business, or gaining access to spare parts or raw materials that are required in the production process. Consequently, an investor may find it advantageous to select a means of production with inputs for which there are few substitutes, so as to increase the penalty for expropriation, even if this entails some cost in lost production in the meantime. This explains why it has been observed that different technologies are used by foreign and domestic manufacturers in the same country. The authors compare the phenomenon to that of international weapons sales, where it may be rational for suppliers to furnish equipment that is hard to operate without foreign assistance.

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## Public Ownership in Canada: The Case of the Acquisitive "Crown"

*Crown Corporations in Canada: The Calculus of Investment Choice*, edited by J. Robert S. Prichard (Toronto and Vancouver: Butterworth, 1983), 475 pp.

In Canada, unlike the United States, a significant part of industry and commerce is carried on by government-run enterprises. How has this come about? In this anthology, sponsored by the Ontario Economic Council, a group of economists, lawyers, and political scientists try to answer that question.

"The striking common feature of all traditional summaries of the rationales for public ownership is their lack of explanatory power," write M. J. Trebilcock and J. R. S. Prichard of the University of Toronto. This or that industry is said to be owned by the government because it is a natural monopoly, or an unprofitable "lemon," or produces a vital service. But governments commonly use regulatory methods short of nationalization to handle each of these

problems. Utility monopolies are franchised, lemons are subsidized, vouchers are given the poor to cover vital services, and so forth. Indeed, it is common for an industry that is publicly owned in one country, state, or province to be private in the next. So the question is: what leads a government to choose public ownership over the alternatives?

Trebilcock and Prichard observe that nationalization often occurs in cases where there are limits on substitute instruments of control. For example, since airline regulation is preempted by the federal government in Canada, the only way the provincial government of Alberta could acquire a say was to buy the local carrier.

Tax rules can also make nationalization appear preferable to regulation. Two provinces went into the electric utility business at least in part because provincial crown corporations are immune from federal income tax. The "governments of British Columbia and Quebec," the authors say, "recognized that they would be able to reduce the cost of service to their provinces' consumers by eliminating the income tax as a cost of doing business."

Another reason for public ownership is to provide an indirect way to accomplish redistributions that might be resisted if done openly. Thus, Saskatchewan established a province-wide public utility to take over private local utilities, the authors say, partly to subsidize rural users at the expense of their urban counterparts "with some lack of visibility. . . . so as to minimize the likely resistance by urban consumers." Agricultural marketing boards, which are numerous and powerful in Canada, also "provide a means of accomplishing low visibility taxation." The "taxpayers" in most cases are Canadian consumers, but in export markets where Canada is a major participant, such as wheat and salt fish, foreign buyers may pick up most of the bill.

A different sort of hidden redistribution figured in Quebec's takeover of the electric-power industry. "There was a desire to deliver senior jobs in the industry for French-speaking rather than English-speaking Quebecers, but at the time it would have been politically difficult for the government to make this an explicit regulatory policy." In a later chapter, Sandford F. Borins of York University writes that a similar desire to replace Anglophones with Franco-

phones played a role in the federal nationalization of Quebec shipyards.

Thomas Borcharding of Simon Fraser University presents an extensive review of the economic literature of public choice and the theory of the firm as it relates to government enterprise. He concludes that public ownership is especially likely to arise in areas where the complexity or sensitivity of the government's service preferences precludes specification by contract or regulation. The use of public enterprise as a mode of taxation should be more common in cases where the targets are immobile. "[O]ne reason that Canada may have a greater incidence of public ownership and government enterprise, especially at the provincial level, than the U.S. is the more limited ability of disadvantaged resources to flee." In the United States, strict state liquor regulation and state liquor store systems have been constrained, especially in the crowded East, by the ease of driving across state lines. In Canada, whose geography makes it hard to smuggle liquor from province to province, every province runs a public liquor store system.

The least mobile industries of all, and thus the most easily nationalized, are those that extract natural resources or operate at fixed sites, as in the case of utilities. Where capital can flee the threat of expropriation, or where public enterprises have to compete with the goods of a world market, there may be less prospect of government intervention. Borcharding points out that in Hong Kong, where an external power has imposed a regimen of low taxes and free trade, the one factor that is expropriable is land, and "Hong Kong has had rent control and land use regulation for almost a half century."

The contours of public enterprise in Canada, as elsewhere, are not easily delineated. Most government holdings take the form of "crown corporations," but some enterprises are owned only in part by the government, and some economic activities are carried on directly by cabinet departments. Moreover, the business of some "corporations," like the National Battlefields Commission and the Blue Water Bridge Authority, consists of rather traditional government services.

At the federal level, according to John W. Langford and Kenneth J. Huffman of the University of Victoria, there are 454 Canadian entities, with a total of 119 separate corporations

and their subsidiaries, "involved in producing an incredible number and variety of goods and services (from supporting a national hockey team and marketing Inuit [Eskimo] art to constructing nuclear reactors and building aircraft)." Sixty-one of these companies, with a total of 213 subsidiaries, are involved directly in enterprise and hold a total of \$53 billion (Canadian) in assets. Most of the subsidiaries belong to three giant firms: Petro-Canada, Canadian National Railways, and Canada Development Corporation, an industrial holding company. The majority of the crown corporations have been created or nationalized since 1960.

Aidan R. Vining and Robert Bottrell of the University of British Columbia list a total of 197 crown corporations owned by Canada's ten provinces, with \$59 billion (Canadian) in assets—more than the federal corporations hold. In Newfoundland, one of the poorest provinces, state enterprises hold assets worth a hefty \$5,456 (Canadian) per capita.

Political scientist Marsha Chandler of the University of Toronto observes in a chapter on "The Politics of Public Enterprise" that, contrary to what one might expect, left-of-center governments created only a minority of crown corporations. At the provincial level, leftist governments have led in taking over auto insurance, mining, and water supply, but right-of-center governments lead in such areas as telephones, housing, and energy. The left tends to nationalize profitable firms for "redistributive" reasons, while the right tends to launch "facilitative" state enterprises intended to help the local business climate. In the latter category, incidentally, Manitoba and several other provinces operate "computer utilities" that are based on the provincial governments' own computer operations, but that also sell data processing services to local businesses.

Two chapters offer case studies of public enterprise. John Palmer of the University of Western Ontario, John Quinn of York University, and Ray Resendes of the law firm of Osler, Hoskin and Harcourt examine a bus company owned by the Ontario government and conclude that managerial pursuit of self-interest has led to inefficiencies. Sandford Borins looks at the crown corporations established during World War II and the later decision to sell some but not all of these companies to the private sector.