

propagating the socialist philosophy and its corresponding economic institutions. Those portraits are simultaneously enlightening and depressing.

The book nonetheless reads as a disappointment overall. It is difficult to find a central thesis about why socialism was ever so appealing, or why it was subsequently given up by so many. We are told repeatedly that socialism was a utopian vision that sought to remake the world. True, but why would such an obviously flawed idea enjoy such a long and broad reign? What is the underlying human imperfection behind the attraction to socialism? Given the author's background, it is odd how little psychological insight the book conveys. Instead we get a tightly controlled narrative, fine as far as it goes but never gripping or compelling.

The choice of subject matter is problematic as well. Why start with Babeuf and the French Revolution? It is unlikely that the true root of the socialist ideal lies with this thinker, despite the author's claim that the French Revolution was the "manger in which socialism was born." Babeuf is instead one in a long line of mistaken visionaries, drawing his ideas from numerous longstanding elements of the Western tradition, including Christianity. In any case, surely socialism is but one example of a broader, more common kind of error, and presumably an error that still lies with us.

There is little else in this book to criticize, other than its failure to take more chances. The book would have been better, I believe, if the author had tried to establish insightful psychological portraits, going far beneath the surface, of leading socialist thinkers. Such portraits would help the reader understand how such smart people could have adhered to such vicious fallacies even in the face of strong intellectual criticism and evidence of their failure in practice. Furthermore, the different portraits could have been done so as to draw out elements of commonality or contrast, and relate a core thesis to the social-science literature on belief, cognition, psychology, or economics.

My favorite hypothesis for the popularity of socialism (and numerous other ideologies)

cites the capacity of human beings to deceive themselves, considering only information that supports their point of view. This self-deception faculty is rampant in human nature and human history. Still, we would like to have some indication of when the tendency for self-deception gets turned on to such a strong extent, and how it becomes socially validated and extended. On this point much work remains to be done.

In the meantime, it is always useful to have a book that reminds us of the socialist tragedy of the twentieth century. And for those of us who do not know the relevant history, Muravchik offers a highly readable and trustworthy source on numerous personalities and events associated with that tragedy. But *Heaven on Earth* does not offer what I buy books for, namely, the "A-HA!" feeling of some new insight or perspective. □

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Naked Economics: Undressing the Dismal Science

by Charles Wheelan

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Reviewed by E. Frank Stephenson

Charles Wheelan's goal in writing *Naked Economics* is to introduce people who might otherwise have avoided economics texts and courses larded with graphs and equations to "a subject that is provocative, powerful, and highly relevant to almost every aspect of our lives." Wheelan largely achieves his commendable goal, for *Naked Economics* is a nifty primer that does indeed "walk through some of the most powerful concepts in economics while simplifying the building blocks or skipping them entirely."

Not surprisingly, since the author's day job is writing for *The Economist*, the chapter on international trade is one of the

book's strongest. He begins the chapter by asking readers to imagine there is an invention that, in rich and poor countries alike, is capable of turning corn into stereo equipment, soybeans into cars, or Windows software into fine French wines. Wheelan then reveals that such an invention already exists. It's trade. From that beginning, he proceeds to explain that trade makes us richer by allowing greater specialization in production, is mutually beneficial because it is based on voluntary exchange, and helps consumers by lowering the prices they pay for both imported and domestic goods. Not yet finished extolling the virtues of international trade, Wheelan turns to slaying the myths of "sweatshop labor" and a trade-fostered environmental "race to the bottom."

Wheelan's chapter titled "The Power of Markets" is another of his better ones. He uses the question "Who feeds Paris?" as a springboard for explaining how markets are "a powerful force for making our lives better," how they use "prices to allocate scarce resources," how "markets are self-correcting," and how "every market transaction makes all parties better off." And readers of this magazine will be reminded of F. A. Hayek and Leonard Read when the author writes that "Prices are like giant neon billboards that flash important information." The only significant weakness of this chapter is Wheelan's nearly exclusive focus on market outcomes; the chapter could have been strengthened by the inclusion of more discussion about the mechanics of how markets work.

Although he does not credit it by name, Wheelan also provides a nice introduction to the public-choice school of economics. In the chapter "The Power of Organized Interests," he takes on pork-barrel spending and logrolling, and reveals how small interests such as mohair farmers and ethanol producers can effectively wrangle beneficial legislation out of the political process. The chapter also introduces the concept of rent-seeking and explains how regulations such as occupational licensing can become powerful tools for self-interested individuals to extract rewards that they would be unable to

obtain in the marketplace.

There's much else to like about *Naked Economics*. Wheelan debunks the notion that "overpopulation" hinders economic growth and skewers the fixed-number-of-jobs fallacy underlying France's 35-hour workweek. He recognizes the importance of property rights and institutions. He discusses inflation as a tax on money holdings and the government's ability to use monetary policy for political purposes (the political business cycle). And Wheelan correctly labels Social Security "one big pyramid scheme," even though his discussion focuses more on demographic issues than on liberty.

Unfortunately, as Burton Malkiel notes in his foreword, *Naked Economics* is "well balanced." Thus while one does get nice treatments of markets, trade, and public choice, one must also endure Wheelan's views on SUVs, suburban sprawl, fast food, global warming, and trade-induced "cultural homogenization." Readers sharing this magazine's love of freedom should expect to utter an occasional groan. On the topics of externalities and macroeconomic policy in particular, Wheelan envisions a large and active role for government.

A minor complaint is also in order. Readers who believe not all economic research is mathematical gibberish will be pleased that *Naked Economics* is sprinkled with examples of economists' relevance. However, the citations are somewhat erratic, and there are some noteworthy omissions (including James Buchanan and Gordon Tullock's pioneering research in public choice, and Adam Smith in the chapter on markets; the trade chapter contains too much Paul Krugman and too little David Ricardo).

Early in the book, Wheelan writes, "Life is about trade-offs, and so is economics." Indeed, so is *Naked Economics*. Although the reader must endure occasional outbursts of statism, the trade-off is well worth it, for Charles Wheelan has written a lively introduction to the sexiest discipline known to mankind, economics. □

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California's Apprenticeship Scam



In 1937 Congress and President Roosevelt enacted the National Apprenticeship Act (NAA), which, sadly, is still in effect. It enables “the [U.S.] Department of Labor to formulate and promote the furtherance of labor standards necessary to safeguard the welfare of apprentices and to cooperate with the states in the promotion of such standards.”

Like most New Deal legislation, the NAA was enacted under the widespread illusion that the best way to get out of the Great Depression was to curtail economic competition. Its proponents thought there were too many apprenticeship programs, most of which were union-free, for the good of the country. The federal government in “cooperation” with the states and construction-industry unions proceeded to eliminate union-free competition in the market for apprenticeship training. However, the NAA gives the secretary of labor much discretion in setting apprenticeship standards, and in the 1980s the standards were gradually loosened to permit some union-free programs to be registered. However, to this day no registration may be granted without giving construction unions a chance to object. They don’t have veto power, but they have a strong voice in the decision process. HR 1660, now in the House of Representatives, would, if enacted, remove the requirement that unions be given a chance to object.

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The NAA allows the secretary of labor to delegate approval decisions to individual state apprenticeship councils so long as state practice does not conflict with broad federal guidelines. The federal Bureau of Apprenticeship and Training makes approval decisions for the 23 states that the secretary does not “recognize” for the purpose of registering apprenticeship programs. At least some of those states are not recognized simply because they choose not to set up their own bureaucracies for this purpose. Some others have been denied recognition. California has been recognized since 1978, but it is about to become “derecognized.”

In the 1980s and through 1992, the U.S. Department of Labor (DOL) increasingly insisted that state apprenticeship councils not discriminate between union and nonunion apprenticeship programs. There was no approved union-free apprenticeship program in California until the Walther Electric Co. sponsored one in 1988. California had been restricting the approval of nonunion programs by refusing to certify nonunion apprenticeships where there were existing unionized ones. Officially a proposed union-free program would be turned down if there were no “need” for it because of an existing unionized one. This “needs test,” of course, is a common device by which regulatory bodies restrict competition from disfavored interlopers.

In 1988 the DOL threatened to derecognize the California Apprenticeship Council (CAC) because of the discriminatory needs test. The unions sued, and in December