

spend a lifetime thinking through his theory of natural selection. *Sex, Science and Politics* suggests that philanthropy is a better funder of basic research than government, which is to say you get more discoveries for your buck and greater academic freedom. This is an argument that resonates strongly with the Australian experience. One only has to compare the quality of research in our better-endowed medical research institutes with that in our universities and hospitals.

Governments that wish to foster innovative societies should invest in research, both to improve their own services and to enhance the knowledge base. But they will get the greatest value from their investment if they invest while resisting the temptation to intervene in the markets for new technologies. Freedom and competition are what make societies innovative. No amount of government research money can substitute for those two things, but astute government funding for science can complement them.

Reviewed by Thomas Barlow

*The Concise Encyclopedia
of Economics*

edited by David
R. Henderson

Liberty Fund
Indianapolis, 2008
US\$28.00, 656pp
ISBN 9780865976665

The acme of economics encyclopedias is *The New Palgrave Dictionary of Economics*. With contributions from eminent economists the world over, the Palgrave dictionary comprehensively covers a huge range of topics in analytical economics and political

economy. It also contains numerous gems, such as Milton Friedman's discussion of the quantity theory of money and Peter Groenewegen's sparkling biography of that magnificent Frenchman A. R. J. Turgot. At the other end of the market are the more run-of-the-mill economics dictionaries—affordable, compact, and full of facts. Both kinds of dictionary now compete with unlimited free content on the internet.

The Concise Encyclopedia of Economics, edited by David R. Henderson, differentiates itself from these other products by presenting to readers a classical liberal approach to economics and economic thinking. Its articles cover most areas of policy, macroeconomics, microeconomics, industrial organisation, schools of thought and practice, and analytical methods. There are also entries on politics, individual and group behaviour, sport and the arts, and global warming. The back of the book contains short biographies of ninety-nine notable economists.

The result is a compilation which gives readers both an overview of economic thinking on a range of public policy matters as well as economic analyses of non-economic subjects. It is an excellent way for non-economists to learn about economics and how economists tackle problems. It will also be instructive for those trained in economics. My own reading of it helped crystallise a number of matters in my mind and introduced me to some interesting approaches.

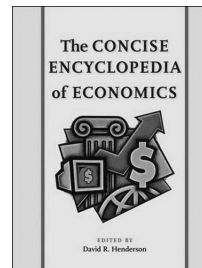
Apart from presenting economics to the public, the book also stresses the value and importance of economic freedom. Running through the articles is the idea that people and societies flourish in an environment of well-defined

and well-enforced property rights, low taxes and minimal regulations, sound legal and monetary systems, proper contract enforcement, and limited government intervention. Importantly, the contributors present these conclusions not simply as a faith-based mantra, but as the results of many years of scientific research into how societies work.

The encyclopedia has many strengths. Those who have an interest in the debates about the roles of fiscal and monetary policies, and the effect of tax cuts on inflation, would do well to read James Tobin's article on monetary

policy and James Gwartney's piece on supply-side economics. The articles on political behaviour and public choice are essential reading for those interested in public policy, and Joseph Stiglitz's entry on information is fascinating. Other interesting contributions include those on marginalism, information and prices, monopoly, postwar Germany, apartheid, discrimination, disaster and recovery, ethics and economics, and population.

A valuable aspect of the book is the way contributors use simple economic analysis to 'bust' widely believed myths. The articles repeatedly demonstrate that regulations and policies created to meet political ends are always more costly than economically efficient solutions. These suboptimal solutions are often more palatable to people than the economically efficient ones because, although the associated costs are greater, they affect communities indirectly and so are difficult to observe. This is made clear in Jerry Taylor and Peter van Doren's enlightening article on US energy markets. Elsewhere, Deepak Lal analyses foreign aid, showing that not only are the justifications for



it ‘in tatters,’ but also that it just does not work. Dwight Lee and Isabel Sawhill conclude (in separate articles) that, despite governments’ redistribution of billions of dollars each year, there is no evidence that the net effect of these policies is an improvement in welfare, let alone in the lot of the poor.

Unfortunately, myths such as those analysed in the *Concise Encyclopedia* not only continue to form the basis of public policy—belief in their ‘goodness’ is now deeply rooted in the public consciousness and is tremendously resistant to change. One result is the alarming growth of unfunded social security liabilities, discussed in Thomas Saving’s and Laurence Kotlikoff’s respective contributions on social security and fiscal sustainability. Confronting costly conventional wisdom is a necessary task for public intellectuals, and the encyclopedia helps to arm them for the task.

Even at over 600 pages, though, the book cannot be comprehensive. The focus on interesting topics in applied economics has come at the expense of topics in analytical economics. Some fundamental concepts are introduced only briefly in the context of applied topics, rather than being discussed at length in focussed contributions. So readers will not find articles on elasticity, price determination, returns to scale, asymmetric information, the principal–agent problem, adverse selection, and moral hazard, or on economics as a discipline.

Puzzlingly, the book doesn’t include an entry on prohibition, and the gap between the laws prohibiting drug trafficking and consumption, on the one hand, and people’s (lack of) willingness to abide by and enforce those laws on the other. Criminals rushing into the gap to supply a robust and enduring demand have grown immensely wealthy and power-

ful, to the point where they threaten the viability of even large states such as Mexico. Myth-busting, cost-benefit analysis, and sensible, evidence-based policy in this area are long overdue and are becoming urgently needed.

Despite its omissions, this encyclopedia is an excellent introduction to economic approaches to the analysis of myriad social phenomena. A wide range of findings and policy recommendations, some of which are non-intuitive or counterintuitive, are presented in an accessible and entertaining format. Readers who engage conscientiously with the book will be well-prepared to join intelligent and informed discussion about economics and political economy.

Reviewed by Jeremy Bray

Liberal Fascism: The Secret History of the American Left
by Jonah Goldberg

Doubleday
New York, 2007
\$49.95, 496pp
ISBN 9780385511841

Conservative politics in Australia have traditionally been associated with the Liberal Party, so the title of Jonah Goldberg’s first book, *Liberal Fascism*, may be initially confusing. His subjects are ‘progressive’ activists and the attitudes that characterise modern ‘liberal’ politics in the United States.

This book presents an alternative history of American liberalism that not only reveals its roots in, and commonalities with, classical fascism but also shows how the fascist label was projected onto the right by a complex sleight of hand. In fact, conservatives are the more authentic classical liberals, while many so-called liberals are ‘friendly’ fascists.

Goldberg’s choice of words is reminiscent of Bertrand Gross’ *Friendly Fascism*, published twenty-eight years earlier. There, the concept of the modern state as defined by the relationship between ‘big business and big government’ is traced to the corporatism of the early European fascist regimes. The association of a postindustrial political order with classical fascism has become common where state authority is criticised by those dissatisfied with the influences of market capitalism. In contrast, Goldberg argues that the antecedents of modern left-wing, anti-corporatist politics can be found in Mussolini (‘socialism is in my blood’) and the Nazis (‘we are the enemies, deadly enemies, of today’s capitalist economic system’).

Had the author been solely concerned with the influence of the corporate sector on the democratic process, *Liberal Fascism* would have been a dull read. He avoids this by extending his scope of enquiry to include both the social policy of progressives and their modus operandi.

The book illustrates a clear line of descent from the development of the philosophies of the welfare state, birth control, and abortion, to the race-oriented eugenics of the prewar era. Trends in racial preferencing that favoured Anglo-Protestants in the prewar period are compared with affirmative action policies that benefit racial minorities and women today. By claiming that ‘even when motives and arguments change, the substance of the policy remains,’ Goldberg highlights the inherent hypocrisy of modern progressive appeals to equity.

The argument relies largely on statism, as well as the coercive tactics used to serve a modernist ideology. Nevertheless, Goldberg breaks no new ground by comparing the motivation and methods of fascists

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