BOOKS

THE RISE AND DECLINE OF NATIONS: ECONOMIC GROWTH, STAGFLATION, AND SOCIAL RIGIDITIES
by Mancur Olson
(Yale University Press; 273 pp.; $14.95)

David D'Arcy

Mancur Olson's most recent contribution to economic theory begins with an ambitious proposal. He will show "for the first time how involuntary unemployment, and also deep depressions, can occur even when each decision-maker in the economy acts in accordance with his or her best interests." More than a few economists and laymen will agree that this promise, if kept, has come not a bit too soon. Statistics for December, 1982, indicate unemployment rates of 10.7 per cent and 9.1 per cent respectively for the decision-making work forces of the United States and West Germany and prospects for yet higher levels of unemployment and idle plant capacity in the near future.

Whom should we hold responsible for this miserable state of affairs, which has now reached Japan and threatens to stall the economies of South Korea and Singapore? The culprits, says Olson, are distributional coalitions—those narrowly defined economic interest groups that over the course of time in stable societies thwart macroeconomic policies aimed at promoting growth and lobby for economic privileges. The effect is an increase in inefficiency, a reduction in the mobility of labor and capital, a stalling of innovation, the maintenance of anachronistic social formations, and a waste of valuable talent and resources in distribution rather than production, ultimately accounting for that dilemma of "ungovernability" so often observed in Britain, the U.S., and other modern societies.

In defense of his theory, Olson has compiled an impressive and often persuasive array of historical and statistical evidence—from an examination of the decline of the British economy over the last 150 years to reflections on the economic foundations and consequences of the Indian caste system. *The Rise and Decline of Nations* is a comprehensive interpretation of the relationship between the political power of interest groups and the dynamism of national economies. It is sure to inject yet another dose of controversy into the raging debate over the obstacles to economic growth and the balance policy-makers must strike between efficiency and equity in their efforts to promote it.

Olson bases much of his theory on conclusions he drew in *The Logic of Collective Action* (1965). There he argued that in the absence of urgent crises such as war, revolution, or national emergencies, large groups (the poor, taxpayers, consumers, or the unemployed, for example) "will not act in their group interest." Those groups able to organize most easily to provide collective goods and services for their members are small, generally homogeneous coalitions (farmers, labor unions, or trade associations, and the like) that can offer selective incentives—that is, benefits that discriminate between those who contribute to the provision of a collective good and those who do not. These selective incentives may include coercion, with sanctions against individuals who refuse to help finance the collective good (the picket lines or closed shops of labor unions, for instance). They may also include such positive incentives as tax advantages, publications, confidential information, group insurance plans, and travel benefits.

"Those groups that have access to selective incentives," Olson argues, "will be more likely to act collectively to obtain collective goods than those that do not, ... and smaller groups will have a greater likelihood of engaging in collective action than larger ones."

Of those *without* access to selective incentives, Olson writes: "In no major country are large groups without access to selective incentives generally organized"; they are too dispersed to have the power either to coerce nonparticipants or to provide positive selective incentives for cooperation.

Olson's central assertion in the present book is that as stable societies develop, individuals, groups, or firms with common interests join together in distributional coalitions that impair a national economy's capacity to adapt to changing conditions. This is what accounts for slow growth and stymies political strategies for solving economic problems: Societies untroubled by war, foreign invasion, or major upheavals will contain greater numbers of these groups. The groups will hold substantial power to lobby for their own interests, and the result is a range of obstructions to growth and, eventually, a decline of the national economy. In contrast, nations such as postwar Germany and Japan, where narrowly defined distributional coalitions were restrained or eliminated by upheaval, experience the greatest growth in their economies.

Disavowing the laissez-faire approach, Olson insists that "there will be no countries that attain symmetrical organization of all groups with a common interest and thereby attain optimal outcomes through comprehensive bargaining," adding that "stable societies with unchanged boundaries tend to accumulate more collusions and organizations for collective action over time." He notes that the special-interest organizations and collusions that reduce efficiency and aggregate income are likely to make political life more divisive in the societies in which they operate.

Organizations that unite unusually broad national interest groups, such as the all-inclusive Swedish labor organizations and Norwegian and Swedish business associations, offer different incentives from small distributional coalitions. These, owing to their size and heterogeneity, distribute income to themselves, at the least possible social cost, and are most likely to consider questions of economic growth and the interests of society as a whole. This may explain why Swedish labor leaders are so often at the forefront in advocating national policies promoting growth and why there are relatively few tariffs in Norway and Sweden.

*

As distributional coalitions play a greater role in shaping a society's capacity to adopt new technology and to reallocate resources in response to changing conditions, they will increase the complexity of regulation, inflate the role of government, and change the direction of social evolution.

The author takes his most drastic illustration for this point from the history of South Africa. Following a general strike among mine employees in the Rand in 1922, conservative Afrikaners and Communist and Socialist leaders joined efforts to deny opportunities to Africans competing with white labor. They formed the Nationalist-Labour "Pact" (with the slogan "Workers of the world unite for a white South Africa") and passed the Mines and Works Act of 1926

to raise wages for Europeans and exclude Africans from desirable industrial jobs. This law—possibly the most severe piece of racial legislation in recent history—provided a national precedent for the later expansion of the apartheid codes that remain in force today. In purely economic terms, Olson notes, this legislative color bar raised South African employers' costs, and the discriminatory policies led to higher prices for consumers. Curiously, he passes over the fact that today the same discriminatory policies account for the competitiveness of certain South African products on the world market; the legacy of that distributional coalition may have encouraged growth in the long run by institutionalizing the barbarous treatment and low wages of an entire race of workers.

While praising the free trade policies of Meiji Japan (1868-1912), Olson attributes the failure of a half-century of British laissez-faire in India to the enduring strength of distributional coalitions. These groups took the form of castes, which, according to Olson, over millennia had developed from guilds into endogamous social hierarchies. From a statistical profile of the forty-eight states of the continental U.S., he also concludes that labor unions demonstrate the greatest negative correlation with local growth. The slowest growth occurs in the Northeast and Midwest, and the fastest, predictably, in the South and West. The number of lawyers in a state has a parallel, albeit weaker, negative correlation.

*

Has Olson's theory, by reaching across cultural boundaries and historical periods, explained the dilemma of slow growth and its ensuing problems of unemployment and stagflation? Professional historians are likely to find his illustrations from Meiji Japan and medieval Europe a bit inconclusive, perhaps even crude. Those empathetic to the labor movement will no doubt point to his failure to examine the highly disproportionate influence of business and trade associations when *they* lobby as interest groups. Other critics are sure to see a pro-corporate bias in Olson's appeal for restoring a "more open and competitive environment" and a naiveté verging on coyness in his assertion that "an economy with free markets and no government or cartel intervention is like a teen-aged youth; it makes a lot of mistakes but nevertheless grows rapidly without special effort or encouragement."

For policy-makers the most serious gap in Olson's study is his failure to explore the potential dislocations and tumultuous social adjustments that will necessarily follow the rapid decartelization he advocates. How will the social cost of restoring efficiency to the economy be distributed? What role will distributional coalitions play in this process? Some of these issues are examined in depth in the recent work of Lester Thurow and Robert Reich. (A selection of critical articles assessing the Olson theory will appear in *The Political Economy of Growth*, edited by Dennis C. Mueller, scheduled for spring publication by Yale University Press.)

Olson's theory strongly suggests that, in the absence of broad consensual support for national policies (something he precludes, except in rare circumstances, in *The Logic of Collective Action*), Western pluralist political structures will be ill equipped to resolve distributional conflicts between powerful competing interest groups. Is he implying that a pluralist political process is fundamentally incompatible with the efficient functioning of a market-oriented capitalist economy? This thought, and the prospects it holds for the future of democratic government, may be even more sobering than Olson's astute reflections on our current economic woes. WV

MODERN FRENCH MARXISM
by Michael Kelly
(Johns Hopkins University Press; 240 pp.; $24.50)

MARXISM AND MODERNISM: AN HISTORICAL STUDY OF LUKACS, BRECHT, BENJAMIN AND ADORNO
by Eugene Lunn
(University of California Press; 331 pp.; $29.95)

Brian Thomas

Exegesis has its uses. If the English-speaking world is to enhance the vitality of the international discourse hovering in and around Marxism—the democratic variety, that is—we must find out what others are saying. Entire realms are lurking out there, unassimilated, untouched, and largely untranslated. Michael Kelly's *Modern French Marxism* is a much-needed primer in one such realm.

This book aims to put famous figures into context as well as to throw light on less well-known men and women. On the whole the effort is successful in charting very complicated terrain and sorting out a bewildering assortment of names, stances, and controversies. To be sure, Kelly barely mentions many of the events that have shaken the French Left most visibly. Khrushchev's attack on Stalin, the Soviet invasion of Hungary, and the French Communist party's support of increased military action against Algeria hardly come up at all. The focus is strictly conceptual, by design.

According to Kelly, Marxism in France started slowly, despite the contribution of French socialists and Enlightenment *philosophes* to Marx's intellectual growth. In the '30s, for example, it was Stalin's essay *Dialectical and Historical Materialism* that was a crucial pedagogical source for the French Left and for anyone else who wanted to learn about Marxism. Kelly acknowledges the "yawning discrepancy" between the pamphlet's "historical importance and its cognitive value," noting that the schematism did not prevent its being an effective means of fostering a knowledge of Marxist philosophy.

One of Stalin's decisive failings in this popular work was a crude view of the tie between Marx and Hegel. And, in many ways, that very relation—Marx's "inversion" of the Hegelian dialectic—is the linchpin of French Marxism's subsequent development. The issue serves as Kelly's point of departure too because of the efflorescence that occurred when the Hegelian strand plaited into dialectical materialism began to be taken seriously. Marxists like Henri Lefebvre and Roger Garaudy pioneered this growth at the same time that Alexandre Kojeve and Jean Hippolyte were lending their non-Marxist scrutiny to *The Phenomenology of Spirit* and other of Hegel's texts.

Meanwhile, although the Resistance took a catastrophic toll of Marxist thinkers, their courageous stand against the occupying Nazis conferred upon their ideas and the men who survived a prominence they had lacked earlier. People like Garaudy, Lefebvre, and others became names to reckon with in French intellectual life.

During the cold war, however, the wrangling between the Party in France and its opponents as well as among Marxists themselves deteriorated into acrid polemics and rigidly maintained positions on a variety of issues: the status of base and superstructure, bourgeois versus proletarian science, and the scientific claims of Marxism, to name only a few. This tangled skein defies a glib summary, and Kelly's patient examination is commended.

The debates quicken as Kelly turns to Louis Althusser and the people who have followed him. Never have I come across a better introduction to this Leninist philosopher; it is as helpful in its way as E. P.