

## The Half-Life of Policy Rationales

**Fred E. Foldvary and Daniel B. Klein (Editors)**

New York: New York University Press, 2003 (255 pages)

This book collects thirteen original essays by different authors that are generally bound together by the theme that technological advancements are reducing the need for public sector intervention in the economy. The book makes stimulating reading for at least two reasons. First, it focuses the reader on the roles of the state versus the roles of the market, where “versus” is often meant quite literally. Second, there is a thrill in seeing/imagining the power of the market to handle problems that, at first glance, seem outside its purview.

The main thesis of the book is that “Technological advancement tends to enhance the case for free-enterprise policy. It reduces the strength of market-failure arguments and the case for intervention” (1). Essentially, each chapter of the book is intended to make the following two-part argument: (1) Technological advancements in Industry X are increasing the potential for creating social wealth and (2) these potential gains argue in favor of placing more resources under the control of the private sector.

With reckless abandon, I offer the following one-sentence summaries of each of the thirteen chapters (with the respective author listed in parenthesis):

- Chapter 1—Electronic marking and tagging has advanced to the point where private property rights may be enforceable in the ocean (Michael De Alessi).
- Chapter 2—Technology allows “signal encryption” so that modern-day lighthouses can restrict access (Fred Foldvary).
- Chapter 3—Electronic tolling makes it possible to collect revenues on motorways without resorting to tollbooths (Peter Samuel).
- Chapter 4—Electronic metering makes flexible pricing schemes available for curbside parking; for example, peak-load pricing, pricing after service rather than pre-pay pricing (Donald Shoup).
- Chapter 5—Remote sensing technology allows decentralized monitoring and enforcement of automobile polluters (Daniel Klein).
- Chapter 6—New information technologies make it possible for private money to eliminate the need for a central bank (David Friedman and Kerry Macintosh).
- Chapters 7–8—Internet and other information technology advancements make it possible for consumers to be better informed about consumer products (John Moorhouse) and medical professionals (Shirley Svorny).
- Chapters 9–11—New technologies make smaller-scale, decentralized production economically feasible, eliminating “natural” monopolies in the electricity (Alvin Lowi Jr. and Clyde Crews Jr.), water (Alvin Lowi Jr.), and postal services (Rick Geddes) industries.

Chapter 12—New entrepreneurial communities, modeled after Multiple-Tenant Income Properties (e.g., shopping malls) can eliminate the need for a “public sector” in some localities.

Chapter 13—The Endangered Species Act creates disincentives for private landowners to adopt habitat-enhancing technology.

An example of a chapter that nicely progresses the book’s argument is chapter 3, “Motorway Financing and Provision” by Peter Samuel. A key argument in favor of public provision of motorways is “transactions costs.” Specifically, if roads were operated by the private sector, it would have to collect tolls from users in order to make a profit. The old technology way of doing this was through tollbooths. However, tollbooths both significantly raise the cost of operating the road and impose substantial costs on users in the form of numerous stops that slow traffic.

In contrast, the public sector can finance motorways through taxes on the general public (or through gasoline excise taxes). This enables the provision of roadways without the necessity of collecting tolls. Under the old technology regime, society’s welfare could be improved by having control of society’s roadways placed in the public sector’s hands. In contrast, under the new technology regime, electronic tolling allows the private sector to collect tolls without tollbooths. This greatly reduces transactions costs and, thus, enhances the argument in favor of private control of roadways.

Most, but not all, of the individual chapters advance the book’s main thesis in a similar fashion. An example of a chapter that does not is chapter 5, “Fencing the Airshed” by Daniel Klein. The main point of this chapter is that new advances in technology allow polluters to be identified by relatively small and cheap sensors that can be deployed at various points within a city to detect “drive-by” polluters (“remote sensing”). Here the old technology is represented by centralized, “smog-check” stations. Although the author makes a compelling argument in favor of “remote sensing,” this does not translate into an argument for placing more anti-pollution resources under the control of the private sector. What would that look like?

Analogizing from the previous example, the public sector could deputize private-sector “pollution bounty hunters” who could track down individual polluters with the use of remote-sensing devices. In fact, the author never discusses, let alone promotes, this option. This chapter is not about transferring greater control of anti-pollution resources to the private sector. Rather, it is an argument promoting the adoption of new technologies by the public sector.

This is my only major criticism of the book: It could have been more tightly structured to address the book’s main thesis. That being said, there is plenty in the book to support the argument that technological advances argue for less government intervention. At the very least, this makes for provocative and profitable reading.

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