

The Darwin Economy: Liberty, Competition, and the Common Good

Robert H. Frank

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Adam Smith's disciples, many of whom are free-market economists, believe that greedy individuals behave in ways that maximize the benefit to society. Competitive markets unhindered by regulations, they say, will lead to lower prices for consumers and increased utility for everyone. Thus, what is good for the individual is good for society.

In his new book *The Darwin Economy*, *New York Times* contributing economic columnist Robert H. Frank argues that sometimes what is good for the individual is good for society and sometimes it isn't. He bases his argument on Darwin's theory of evolution.

Frank argues that context matters in markets, against the beliefs of libertarians. To illustrate how, Frank discusses elk, as a species, and the relative importance of antler size for males in acquiring a harem. Having larger antlers leads to the greater probability that an elk's gene pool will be passed on. But, argues Frank, this only matters in relation to other elk. There is an overall disadvantage to the elk population as antler size gets so large that elk are unable to escape from predators through a wooded forest.

Frank suggests that relative context creates an "arms race" phenomenon, whereby the overall population is not always served as individuals vie for advantage. For example, a survey of people asked whether they would rather have a 6,000-square-foot home when everyone else has an 8,000-square-foot home or a 4,000-square-foot home when everyone else has a 3,000-square-foot home. Almost all respondents chose the 4,000-square-foot home. House size is a contextual purchase that Frank calls a "positional good." We don't purchase larger homes because we need them, but rather because we want to keep up with the Joneses.

Frank says we spend too much money on positional goods such as larger homes, and not enough on non-positional goods, such as safety, savings, or insurance. These are goods that government might help us acquire.

Frank makes a compelling argument against the libertarian view that government should not interfere with individual liberty by forcing us to buy safety or insurance, via taxation. Without government intervention, we purchase too little of these assets and too many context-oriented assets (large homes). Frank even integrates libertarian economist Ronald Coase to substantiate his arguments against the sound bite rhetoric that so often dominates debate on issues of economic justice, the common good, and the problem of economic externalities. His book is a welcome addition to a field that is in need of more economists and political theorists who challenge the status quo and explore concepts of justice in the spirit of John Rawls and Michael Sandel.

BRUCE CUTHBERTSON (Winter 2012)

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