clear starting point, such as a down-to-earth liberty, as a prime prerequisite, which shows how the free market has worked and even could be made more equitable. The decision-makers become the social scientists, politicians, and popular opinion—not the entrepreneurs, those most likely to promote abundance.

Left aside is the Hayekian observation about the ignorance of knowledge that is not only dispersed over millions of creative minds but is nonassayable. The authors rehash all the attempts to alter reality by utopians who, ignorant of their ignorance, attempt to make unknown variables efficient, to maximize and redistribute them. Of what use is a maze of historic data soon to be replaced by future unknowns, which are still ruminating in the minds of countless entrepreneurs?

The authors pretend to base their analysis on sound philosophy, introducing a mixture of Kantian *a priori* strictures and utilitarian acts or rules, which set moral law either on the autonomous subjective intuition of the individual or on what makes for happiness. Not mentioned is natural-law philosophy, which, since the times of Cicero, has held that there are certain unchanging and evident rational norms that are universally binding upon human action, which expound man's rights and duties. This is a serious omission in the book, for instead of a solid ethical base, we have the pseudo-ethics of what most people might think is right (42).

The authors are not clear in their exposition of efficiency, which usually refers to the least costly or maximum output, or to cost-benefit analysis, but their efficiency is the welfare efficiency, which refers to the dollars earned, no matter by whom, or to resources being used to create maximum happiness (28). The book is weak in its neglect of the solid conclusions of economics. Unconvincing mathematical models and unworkable constructions of indifference (130), and utility abound. Distribution is considered an autonomous function rather than an integral part of production (1).

For these reasons, the person who upholds the free market, yet is willing to be compassionate at the same time, comes out somewhat disappointed. While recognizing the noble intent of the authors to provide us with some convincing principles of social ethics that would uplift our society, he does not clench them in the book promoting "Equity As a Social Goal."

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Transcending the Economy

Michael Perelman

New York: Macmillan Press Ltd., 2000 (182 plus 7 pages)

In *Transcending the Economy*, Michael Perelman purports to focus "On the Potential of Passionate Labor and the Wastes of the Market" (subtitle). The "concept of passionate labor" is traced to Charles Fourier (1772–1837), "a brilliant but eccentric French writer" (3). The wastes of the market, as he identifies them in chapters 2 through 7, are described in terms of his vehement criticism of American society and its economic and political systems.

In the preface, Perelman admits taking "issue with the vast majority of my fellow economists" (7). He not only smears the U.S. economy but despises the assumptions and theory of "conventional economics"—a theory that originated about 1870 and has been steadily refined since. He scorns economists' assumption of rational behavior in economic activities simply as the "rationality of markets" (5). So, he questions profit-maximizing behavior (90), but he likes rationality when it supports him. Thus, "I will show how an intelligent organization of society can magnify the collective potential far beyond the sum of individual potentials. In the process I hope to provide a panoramic view of the innumerable forms of waste that a *rational* society could avoid" (2, italics added).

In chapter 7, he alleges that "the corporate bureaucracy far exceeds that of government" (89) and, continuing to attack the assumptions of economic theory, he makes the following assertions: "Any economists worth their salt can easily go to the blackboard and 'prove' why markets are efficient allocators of resources" (90). "In reality, the claim of consumer sovereignty is only a charade" (100), and "Competition creates another sort of serious waste," he calls the "problem of excess entry" (94, 95).

Perelman carries his animus further in his discussion (chap. 10) of voluntary versus commercialized blood donations, citing the British sociologist, Richard Titmuss. He likes Titmuss's arguments that commercialization of blood donations undermines altruistic motives, going so far as to allege that markets are antithetical to altruism (148, 149). Perelman believes that Titmuss's economic sin was that "He called into question the behavioral assumptions that form the foundation of conventional economic theory" (147). However, two "liberal" Nobel Laureates, Kenneth Arrow and Robert Solow, denied the allegation, according to Perelman, "lest their conservative brethren challenge their credentials by lumping the liberals together with those who fall outside the pale of conventional economics" (147). Surely no one believes that any Nobel Laureate has to fear for his credentials or fear for having forsaken his theory. In truth, Perelman fails to transcend the economy or economics but, rather, submerges what he scornfully calls "conventional economic theory" under his prejudices.

As an alternative, Perelman offers his "theory" of passionate labor. Even though Perelman regards chapter 10, "Toward Passionate Labor" "the most important part of the book" (139), he considers his discussion to "be brief, given our lack of experience in going beyond the ordinary. We can only be suggestive and anecdotal" (139). Earlier he considered the discussion one that relies "mostly on anecdotes and speculation" (11). One may be permitted to note that the characteristic methodology throughout the book is anecdotal.

No definition of passionate labor is set forth; some descriptive terms are provided. "Unlike individuals faced with … drudge work, people engaged in passionate labor approach their tasks with enthusiasm and joy" (11). Work would be cooperative or collective rather than individualistic (150), and it would be characterized by virtues of "ultrahuman perfection," "rise above the level of disinterestedness" as miners with "charity, amity, the honor of saving comrades," or "the mother lifting the car to rescue her child, the self-sacrificing hero on the battlefield, or the amateur athlete pushing himself or herself to the utmost" (153, 154). He also mentions other exceptional avocational performances, such as the hobby gardener.

Nevertheless, his claims via these analogies are refutable. No amateur athlete playing a game for fun strains himself as the professional under fierce, competitive pressures. No ordinary gardener can outproduce American agriculture. No wealthy business-man pursuing a hobby can outperform American industry. Perelman admits that extraordinary human achievement occurs in response to disaster and war (118). He had acknowledged "our lack of experience in going beyond the ordinary" and that "I do not pretend to know how to accomplish such lofty goals" (11). It would seem that passionate labor is a utopian fantasy.

For Perelman, human nature, the subject of chapter 9, is malleable (118). It is not fixed, contrary to the belief of the psychologists who "despair transcending human nature as it supposedly exists" (119). Nor is it merely aggressive, competitive, and selfish as the market system requires and "conventional economic theory" assumes. "He does not agree with the conservative case for the market" that markets can harness human selfishness to serve the common good, that is, the notion of an "invisible hand." He argues that "responses to war and disaster, noted earlier, show that human nature can be non-individualistic, cooperative, heroic, and idealistic." But, as with his discussion of passionate labor, "I confess that I do not have a plan to get there from here, but the more of us that realize that such a potential exists, the closer we can come to meeting this potential" (115).

The most impressive, and revealing, part of this chapter is that which contrasts the United States disparagingly with the Great Proletarian Revolution and Pol Pot. He finds the U.S. economy deficient in moral capital because of defaults on international debts in the 1840s and toward the end of the nineteenth century and also in social capital according to a concept provided by Jane Jacobs (124, 125). He believes that "The Constitution of the United States was an elaborate contrivance based on the presumption of 'knavery'" and designed "to curb the presumed predatory instincts of the poor" (119). He also objects to business contributions of $653 million in the 1996 election and to political advertising on TV, "just as is the case with advertising, in general, it is used to confuse the electorate and spread disinformation. The (not necessarily unintended) result is that people become so cynical that only a few even bother to vote" (38).

With regard to the Proletarian Revolution he claims that "efforts to create a more cooperative system of social organization have floundered, mostly because the powerful governments, especially that of the United States, have taken extreme measures to snuff out those societies that have dared to experiment with other methods of organizing society" (127). And, "While the egalitarian objectives of this period [Cultural Revolution] were laudable, many excesses occurred during this time" (127). Yet, it had a positive side: It “allowed people who had always been ignored to show finally how much they could contribute to society” (128). The Khmer Rouge “made a serious mistake in attempting to remake society overnight” (129). He admits “We cannot refashion society by fiat” (129). “Pol Pot, at least, believed that people could be redeemed—at least if they did not resist too much” (130).

In Perelman’s litanies of the wastes of the market, chapters 2, 3, 4, and 6 belong in one group. Chapter 6, “The Waste of Human Potential,” stands out because, after blaming the market system for racism, he sets forth a blistering attack on higher education in the United States along with an endorsement of the GI Bill.

Chapter 2 deals with “Taxes, War, and the Elimination of Waste.” He objects to the wastes in our tax system(s) for government itself and for business and the public. He admits that the flat (rate) tax would provide “simplification” and, therefore, efficiency but would do so “at the expense of fairness” (14). It would, he and others believe, enrich the “economic elite,” but those who have examined the effect of progressive tax rates with their inevitable loopholes have found that any inequality in the distribution of income is much the same after the impact of progressive tax rates as before. Thus, through the flat-rate tax we could increase efficiency, or reduce waste, but then Perelman does not want efficiency. It may also be noted that much of the corporate bureaucracy that he criticized is the consequence of governmental regulation represented by the voluminous Federal Register and especially by the tax burden and the accompanying paperwork imposed on U.S. businesses.

Chapter 3 deals with “More Obvious Waste,” such as crime, the war on drugs, corporate crime, including abuse of military contracts, costs of regulation, and so on. He includes a very notable instance of business collusion, the “great electrical conspiracy” with convictions in 1961. In particular, the president of Allen Bradley Company stated that all attending the collusive meetings knew they “were in violation of the law. But it is the only way a business can be run. It is free enterprise” (33). Yet, in the last sentence of this section Perelman relents, “Alas, nothing similar has happened for four decades” (34). Free enterprise does not employ collusion.

In chapter 4, Perelman blames the market system for the existence of classes and inequality and the wastes resulting from the absence of trust. No one can deny that there is inequality of income and wealth in the developed countries, but the gap between the rich and the poor is far greater in the backward, undeveloped countries. At the extreme, with regard to the absence of trust, Perelman refers to Williamson who “describes the expanding scope of modern corporations as an effort to cope with the full set of *ex ante* and *ex post* efforts to lie, cheat, steal, mislead, disguise, obfuscate, feign, distort, and confuse” (52). But when representatives of Socialist countries visit the United States, they are astounded by the amount of business—billions of dollars—done every day orally or by a handshake. Distrust and corruption are rampant in the collectivist countries and especially in their government businesses, not in the market-directed U.S. economy.

Chapter 5 is explicitly Marxist. The chapter purports to support a few quotes from Marx. The means of production, according to Marx “distort the worker into an appendage of the machine, they alienate from him the intellectual potentialities of the labor process.” And, “The worker actually treats the social character of his work, its combination with the work of others for a common goal, as a power that is alien to him” (53–54). In effect, we have antagonism between labor and capital or even between labor and management, and on to what he calls “conflict” on the assembly line, culminating in sabotage. This reviewer knows of no such instance; nor does Perelman; instead, he cites a 1971 publication by Watson (53–55). In general he writes of worker resentment and job dissatisfaction, but a *Wall Street Journal* column (8/27/01, A14) reported on several surveys showing considerable job satisfaction in the United States “and sixty-nine percent [of Americans] in a 1997 Families and Work Institute survey, said they would ‘decide without hesitation to take the same job again.’ Fewer than ten percent today would do something else.”

After reading Perelman’s excoriation of the U.S. economy, an objective observer would wonder where the U.S. economy ranks among the developed nations. At the bottom? Barely above the developing economies? One would wonder how the U.S. dollar can be the world’s leading, if not dominant, currency. Perelman questions the publication of “blockbuster books, while serious works have trouble reaching the press” (26). One may ask why his book was printed. It is serious and pedantic, but because of its extreme bias, it is neither edifying nor scholarly. Yes, there are wastes, as of Perelman’s time spent scouring works of free-market and other economists to find criticisms of the U.S. economy, waste of paper and ink to print his Marxist piffle, and waste of anyone’s time reading it.

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The Role of Business Ethics in Economic Performance

Ian Jones and Michael Pollitt (Editors)

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The Great Advent of the discipline of “Business Ethics” can be dated back to the year 1975 when the Foreign Business Corrupt Practice Act was voted in the United States. Interestingly, that was the year when the miasma of the “1960s” had completely reached the most remote corners of some of the largest institutions in our society, including the leadership of many church organizations and the university teaching faculties. Not surprisingly, business ethics was defined from a socialistic, negative, and exterior point of view. Socialistic: that profit-making organizations are, *a priori*, very suspicious was a given. Negative: Ethics was somewhat defined as a laundry list of what corporations should not do. And exterior: The anointed could comfortably point