

Presidents Bush and Obama. While this distinction may seem obvious to most economists, it is well worth emphasizing given the current level of misunderstanding in the popular debates regarding free markets and economic crises. The authors also rehabilitate the efficient capital market hypothesis by modifying it to include Austrian notions of dynamic efficiency, rather than the static efficiency behind much of modern finance theory. Although this discussion constitutes a small portion of the book, I believe the marrying of Austrian insights on market processes with many of the insights of Chicago finance theory holds considerable promise.

Rowley and Smith close with a list of policy recommendations. Without going into their justifications, these recommendations include: easing monetary policy, re-inflating housing demand through immigration reform, suspending all tariff and trade barriers, extending the “right to work,” ending conventional fiscal stimulus measures, reforming Social Security, establishing a plan for long-term balanced budgets, using the bankruptcy code to deal with failing corporations, and imposing losses (haircuts) on private debtors in failing institutions.

Rowley and Smith, both associated with George Mason University’s Economics Department, have presented a valuable synthesis of the macro, micro, and Public Choice literatures on the Great Depression and extended it to the recent financial crisis. While not inaccessible to a lay audience, the study will be most accessible to professional economists and graduate students. The authors also touch on a variety of intersections in the literature that are ripe for further research.

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Plunder! How Public Employee Unions Are Raiding Treasuries, Controlling Our Lives, and Bankrupting the Nation

Steven Greenhut

Santa Ana, Calif.: Forum Press, 2009, 297 pp.

New data from the Bureau of Labor Statistics show that there are more union members in the public sector than in the private sector in the United States. Thirty-nine percent of state and local government workers are members of unions, compared to just 7 percent of

private sector workers. What problems are caused by the high level of public sector unionism?

Steven Greenhut argues that public sector unions are “bankrupting the nation.” Greenhut’s book comes at a time of rising concern about the growing political power of public sector unions. With large budget deficits and huge funding gaps in pension plans, policymakers in many states are trying to constrain spending and improve government efficiency. But many governors, such as Chris Christie of New Jersey, are finding that unions stand in the way of needed fiscal reforms.

Greenhut is a California-based journalist and a former member of the editorial board of the *Orange County Register*. He is thus familiar with both public sector unions and state budget crises. California’s public sector workers have the highest average compensation of public sector workers in any state, and they also have one of the highest rates of unionization. It’s not a coincidence that the state is having severe budget problems and that it finds spending restraint very difficult to achieve.

Greenhut’s book focuses on California, and his background as a journalist results in a narrative-driven examination of the public sector union problem. He examines how public sector workers can often retire at age 50 or 55 and draw very large pensions. In California, for example, there are more than 9,000 retired public sector workers with annual pensions of more than \$100,000 a year. Oftentimes these high pensions result from government workers abusing the system; for example, the last year of an employee’s salary may be artificially inflated to garner a larger annual pension, a technique known as “pension spiking.”

Journalists often do not ask tough questions of groups such as firefighters and police because of the valuable contributions of those groups to local governments. But Greenhut analyzes these groups as special interests like any other, pushing for private gain and advantage. Yes, fire and police jobs can be dangerous, he says, but numerous private sector jobs are even more dangerous, and they don’t get the sweetheart deals on pensions and other benefits that public sector workers do.

The author takes on the education unions as well. The American Federation of Teachers and the National Education Association are powerful players in every aspect of education policy, and they rake in about \$2 billion of union dues and fees a year. Greenhut describes

how these unions “shamelessly” oppose reforms such as school choice, how they protect failing teachers from termination, and how they impose layers of costly bureaucracy on local governments.

While Greenhut has a strong narrative and tackles a very important issue, I would like to have seen more analysis of the union problem from a national perspective. Which states are the most unionized? Which states have the biggest pension problems? How will taxpayers be affected if governments don’t start reforming worker compensation packages? Greenhut does not provide sufficient analysis to answer those questions.

As I have documented, the level of public sector unionization varies dramatically from state to state. While New York’s public sector workforce is 73 percent unionized, North Carolina’s is only 8 percent. These large differences are due to varying state-level rules on collective bargaining and “union shop” provisions. Presumably, the public sector problems that Greenhut describes, such as pension abuses, are worse in the high-union states, but this is something that needs to be explored. Similarly, research is needed to compare the problems created by teachers’ groups in heavily unionized states such as California, and teachers’ groups in states such as Virginia, which have no monopoly unionism.

Greenhut concludes his entertaining but depressing book noting that “the public’s servants have become the public’s masters.” It does seem that the nation’s 20 million state and local government workers have tightened the screws on citizens and governments in many states. As the baby boomers in government workforces retire and draw their generous pension and retiree health benefits, there will be pressure to raise property, income, and sales taxes in the states.

Looking at possible reforms, Greenhut says that “public sector unions should be outlawed.” I would describe the needed reform somewhat differently. State governments should pass legislation to ban collective bargaining in the public sector, which is the successful path followed by Virginia and North Carolina. Government workers should be able to join voluntary organizations and have a voice in public policy debates, as people in any other voluntary organization can do. But collective bargaining infringes the rights of workers to freedom of association, and it creates monopoly unions with a privileged position in our democratic process.

A huge fiscal battle between taxpayers and public sector unions is getting under way in many states across the nation. Steven

Greenhut's book provides a timely guide to the challenges ahead in reforming governments and restraining the self-serving appetites of government unions.

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Mind vs. Money: The War between Intellectuals and Capitalism

Alan S. Kahan

New Brunswick, N. J.: Transaction Press, 2010, 302 pp.

Alan Kahan's *Mind vs. Money* is an absurdly ambitious little book. I had all sorts of disagreements with it, both factually and methodologically. Still, it does important work, and does so well enough that I would not hesitate to teach from it as a textbook in the intellectual history of commerce.

Kahan presents a sweeping, yet surprisingly brief, overview of Western intellectuals' attempts to make sense of money, commerce, and capitalism. Most of the intellectuals in his narrative seem embarrassingly ill-equipped to understand the thing with which they are confronted. One often feels sorry for their little tribe.

This is definitely the case when we watch Aristotle struggle to find a boundary between the sort of wealth that contributes to happiness and the wealth that becomes an end in itself and a detour from the Good. What, after all, would he think of us? Even the poorest American is wealthy in many ways that Aristotle could never imagine. Are we all slaves to money, and permanently detoured from the Good? Does virtue require being poorer than the ancient merchants whom Aristotle mistrusted?

One feels sympathy likewise as we watch the plight of European thinkers in the shadow of Stalin—attempting more and more desperately to prop up their devotion to the Soviet system, even as that system repeatedly embarrasses and takes advantage of them. The whole way, we feel we're in the company of some very smart people who are nonetheless terribly out of their depth.

The centuries between Aristotle and the 20th century give an idea of the ambition of *Mind vs. Money*. It is an ambition no book this short should ever be allowed to have. Consider the narrative: Ancient thinkers, either independently wealthy or otherwise unconcerned with wealth, attempt to describe all of society. Their attempts give