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to "a simple sense of insecurity" about other nations' strength, but to the Germans' desire to tip the balance of power in Europe in their favor. Germany was "consistently the initiator" of military buildups; for example, conscription in France occurred only after Germany's Parliament passed a massive arms bill in March 1913.

World War I, Glynn contends, was not started by accident. The officers of the German General Staff were fully aware "that they were risking general war" when they urged Austria to invade Serbia. Because many of the clauses in the Triple Entente treaty were secret, German leaders thought that Britain's support for France and Russia was ambivalent, making "diplomatic and military victories all the more plausible" in the event that Britain abandoned her allies at the outbreak of a major war.

The true lesson to be drawn from the origins of World War I, Glynn concludes, is that the best way to stop an aggressive power from starting war would be to ensure "that deterrence and defensive alliances remained unambiguously strong."

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Economist's Choice

"James Buchanan & Co." by David R. Henderson, in *Reason* (Nov. 1987), 2716 Ocean Park Blvd., Ste. 1062, Santa Monica, Calif. 90405.

The award of the Nobel Prize to economist James Buchanan in 1986 was quite controversial. Critics argued that Buchanan, leader of the "public choice" school of economics, failed to display the pathfinding insight worthy of a Nobel laureate.

Henderson, a regular contributor to *Fortune*, argues that "public choice" is an important economic movement. Because of Buchanan and his followers, "ideas about government that were once considered revolutionary are now common wisdom."

"Public choice" theory offers economic analyses based on the premise that politicians, voters, and bureaucrats act to advance their self-interest rather than the public interest. The movement began in 1957, when Anthony Downs (now at Brookings) published *An Economic Theory of Democracy*. Downs argued that federal programs are politically viable only if the cost of the program can be spread over large numbers of taxpayers. Consider the U.S. government program that pays dairy farmers not to produce milk. This program survives because the benefits paid to the 100,000 farmers who gain from the program cost millions of taxpayers and milk drinkers less than \$50 per year each—a relatively small sum.

Buchanan, along with longtime collaborator Gordon Tullock, extended Downs's theories into a discussion of the nature of governance. Their most important book, *The Calculus of Consent* (1962), provided an economic analysis of the size and structure of political majorities. The authors also attracted the attention of such talented graduate students as James Miller III, currently director of the Office of Management and Budget.

These students, along with other followers, used public-choice tech-

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niques to analyze other areas of policy. Gary Becker of the University of Chicago has shown that government programs that redistribute income are extremely efficient, because the beneficiaries of these programs have a vested interest in receiving as much government money as possible. Benjamin Zycher of the Rand Corp. has argued that "gerrymandered" election districts are desirable both to prevent the concentration of special-interest power and to ensure minority-party representation.

Henderson predicts that such theories will become more influential in the future, as the number of public-choice economists increases and as economic textbooks written from a public-choice standpoint proliferate. The fact that critics now find its theories "obvious," he concludes, "shows just how profound an effect the public choice school has had."

21st-Century Cars

"The Industry in 1997" by Maryann N. Keller, in *IEEE Spectrum* (Oct. 1987), 345 East 47th St., New York, N.Y. 10017.

Predicting the future of the automobile industry, argues Keller, a vice-president of Furman Selz Mager Dietz & Birney, New York-based stockbrokers, is a risky business. Few auto analysts, for example, foresaw the sweeping changes that resulted from the energy crises of 1973 and 1979. Many current trends (such as increasing pickup truck sales) may suddenly end if gasoline prices rise sharply. Nonetheless, Keller argues, "certain changes in the automotive industry are inevitable."

Keller predicts that U.S. auto manufacturers will continue their decline. Foreign manufacturers currently sell 30 percent of the cars bought in the U.S. (up from 18 percent in 1977); the North American share of world automobile production has dropped from 34.5 percent in 1976 to 29.5 percent in 1986. In contrast, Japan's share of the world auto market has risen from 20 percent in 1976 to 27 percent in 1986.

Third World nations, assisted by Japanese and Western manufacturers, will continue to develop automotive industries, both to satisfy consumer demand and to spur growth in such ancillary industries as metals, chemicals, and electronics. U.S. firms, Keller argues, will, by 1997, contract out 20 percent or more of their assembly and design work to outside firms. Many "American" cars are already built and designed by foreigners; the Ford Festiva, for example, is designed by Mazda in Japan and built in South Korea. General Motors' Cadillac Allante is designed and built by the Italian firm of Pininfarina.

To surmount protectionist barriers and protect market share, Japanese firms will go further than U.S. rivals and build assembly plants "in the countries they sell to." A study at the University of Michigan predicts that non-U.S. companies (Japanese firms and Volkswagen) will produce 7.3 percent of cars manufactured in the U.S. in 1995, up from 3.6 percent in 1985. Japanese firms may also build plants in Latin America, Asia, and Eastern Europe, where "stable workforces and artificial exchange rates . . . make exports profitable."

Few Third World firms, Keller concludes, will be capable of acquiring