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

Autos are increasingly designed in one nation and built in another. The Volkswagen Fox is built in Brazil; Ford's Mercury Tracer, designed by Mazda in Japan, is manufactured in Mexico.

the design and engineering expertise to successfully challenge Japanese, European, or American car builders. Only the South Korean firm of Hyundai will be able to be a "global automaker," challenging existing Japanese, European, and American rivals. Other new car builders "cannot survive without affiliating with a Japanese or Western partner."

A Southern Economy?

"The Economic Revolution in the American South" by Gavin Wright, in *The Journal of Economic Perspectives* (Summer 1987), Princeton Univ., Princeton, N.J. 08544.

Has the American South had a separate economy? Wright, a Stanford University scholar, argues that the Southern economy remained a distinct phenomenon until after World War II, when changing demographics and New Deal legislation caused Southern wages to rise to national norms.

Until the Civil War, slavery separated the South from the rest of the national economy, filling the jobs that would otherwise be taken by immigrants or eliminated by mechanical improvements. The war left the South with abundant supplies of unskilled labor, but little capital. Southern employers preferred to pay many workers low wages rather than invest in labor-saving improvements. Southern workers—both black and white—earned less than their Northern counterparts. In 1930, for example, farm workers in Iowa earned twice as much as those in Mississippi. The region also lacked immigrants, who might have helped fill the shortage of mechanics and engineers. Foreign-born Americans only accounted for two percent of the South's population in 1910.

Wages in the South began to rise after World War I, when Northern