

seem to happen, as the theory's proponents themselves have recognized and tried to explain (the Nobel Prize committee has also rewarded their work, as it did Paul Samuelson's before). Akerlof and Stiglitz, however, proposed a more sweeping explanation than these defenders of the synthesis, under the unsexy rubric "asymmetric information." It suggests that economic transactions are powerfully affected by the fact that buyers and sellers—in, for example, the used car market—don't all have the same information. "Information economics" is concerned with teasing out the implications of this fact in a variety of different realms.

One puzzle in the standard theory, for example, is why unemployment exists in the real world. In theory, if workers can't find jobs at, say, a steel plant, they will simply reduce the level of pay they demand until the steelmaker hires them. But in a series of papers during the 1980s, Stiglitz and several collaborators argued that many firms *aren't willing* to hire workers for less. Among the reasons: Lower-paid workers have a higher rate of turnover, which is costly. In such an environment, where wages are artificially high, employers have

only one sanction to apply against workers who perform badly: They can fire them, in effect branding them with information about their performance that makes it difficult for them to get jobs elsewhere. Writes Stiglitz: "We showed that *in equilibrium* there *had* to be unemployment: Unemployment was the discipline device that forced workers to work hard."

Akerlof and Stiglitz believe that information economics can explain many other real-world puzzles: Why do people save too little for their retirement? Why are stock markets so volatile? Why do developing countries experience sudden, severe credit crunches? In a broader sense, Akerlof notes, information economics restores to economics the consideration of psychological and sociological factors that the neoclassical synthesis had driven out.

Yet, as Stiglitz observes, he and his colleagues are still stuck with an equilibrium model of the economy—their work just tries to explain why markets don't reach the perfect balance that theory predicts. He thinks the future lies in a completely different "evolutionary" theory of the economy. Information as to what such a model will look like, however, remains imperfect.

## SOCIETY

# *A Tale of Two Cities*

"Murder Mystery" by John Buntin, in *Governing* (June 2002), 1100 Connecticut Ave., N.W., Ste. 1300, Washington, D.C. 20036.

During the 1990s, only two cities—New York and Boston—saw their once-soaring homicide rates fall by double-digit figures year after year. Each city credited its innovative approach to police work, and municipalities elsewhere took note. But the strategies of the two cities were very different, and now they're producing very different results.

"In the past two years," notes Buntin, a *Governing* staff correspondent, "Boston's homicide rate has increased by more than 100 percent," while New York's has continued to fall. "I don't know," boasted Gotham's mayor Rudolph Guliani in his farewell address to the city last December.

"Which policing theory would you want to follow?"

New York's strategy is based on the "broken windows" thesis that disorder begets crime, so aggressively going after "squeegee men," loiterers, and other minor offenders will reduce the number of more serious crimes. New York also began to track crime trends closely at the precinct level and to press precinct commanders for results. The number of homicides fell from 1,777 in 1995 to 770 in 1997 and 664 in 1999. But the more aggressive policing had a cost: growing tension between police and African American and other minority activists.

Boston opted for a more “liberal” strategy, based, writes Buntin, “on social service and neighborhood relations.” The number of homicides went down—from 152 in 1990 (on a per capita basis, about the same rate as New York’s) to 96 in 1995. In mid-1996, Boston added “focused deterrence” against gun violence by the “relatively small number of hard-core gang members . . . responsible for most of the carnage.” For example, “one notorious gangster found with a single bullet in his possession was sent to federal prison for 10 years,” Buntin notes. Murders dropped to 31 in 1999.

But the effects of “focused deterrence” seemed to tail off. By the spring of 2000, gunplay was increasing in the gang strongholds of Roxbury and Dorchester. The number of homicides that year increased to 40, and the next year to 66. “Rather than reinvigorating its efforts at ‘focused deterrence,’” says Buntin, “the Boston police department seems to be redoubling its efforts at building partnerships, expanding social services and involving the community in the fight against crime. . . . Meanwhile, in the first quarter of 2002, the homicide rate in New York City was down another 29 percent.”

## *Nursing’s Identity Crisis*

“Where Have All the Nurses Gone?” by Ronald W. Dworkin, in *The Public Interest* (Summer 2002), 1112 16th St., N.W., Ste. 140, Washington, D.C. 20036; “Diagnosis: Shortage” by Carrie Conaway, in *Regional Review* (2001: 3rd quarter), Federal Reserve Bank of Boston, P.O. Box 2076, Boston, Mass. 02106–2076.

The nation’s registered nurses have been increasing in number every year but not fast enough to keep up with demand. Hospitals, which employ more than half of the nation’s 2.7 million RNs, have 11 percent of their positions vacant. Nursing homes, visiting nurse associations, and other employers of RNs are also hard-pressed.

What accounts for the nurse shortage? “The culprits,” writes Conaway, an associate editor at the Federal Reserve Bank of Boston’s *Regional Review*, “are both long-term trends, such as expanded opportunities for working women and the aging of the population, and new factors like the effects of the cost-cutting imperatives of managed care.” Dworkin, an anesthesiologist at the Greater Baltimore Medical Center, acknowledges that there is “some truth” in such explanations, but finds more in the frustrations nurses now face because their profession has been “swept up in a cultural avalanche.”

From the time of Florence Nightingale, he argues, nursing “stood on two pillars”—feminine virtue (compassion and empathy) and medical science. But starting in the late 1970s, progressives, particularly feminists, sought to rid the nursing ideal of virtue and base it instead solely on its own distinct body

of scientific knowledge. In truth, contends Dworkin, nursing has no such independent body of knowledge. “Nurses are taught the same material as physicians, only less of it. When nursing tries to distinguish itself on the basis of scientific knowledge alone, nursing loses status among doctors and paraprofessionals.” And “bright young people,” he claims, now “see a nursing career as relatively undistinguished.” (Be that as it may, Conaway notes that nursing schools had to turn away 5,000 qualified applicants last year because of insufficient faculty and facilities.)

The change in the professional ideal of nursing also has meant frustration for husband-hunting nurses, Dworkin observes, as male doctors have come to pair off instead with female MDs. And nursing’s traditional appeal as a part-time job has meant little to the many single mothers in need of the income from a full-time job, who must work nights and weekends for that income. For various reasons, Dworkin says, nursing has become more difficult than ever, with “long hours, inadequate resources, demanding patients, and mediocre pay.” The frequent result is “burnout,” he asserts. Many frustrated, emotionally exhausted nurses quit.

One answer to the nurse shortage might be to offer nurses better pay. But, says Dworkin,