observes Naomi R. Lamoreaux, an economist and historian at the University of California, Los Angeles, but it is contradicted by both history and the latest doings on the Web.

A few years ago, for example, an Oklahoma man plunked down $750 for a nine-room stone house in a quaint seaside village—quite a deal, except that it was a virtual house that existed only in the Internet fantasy game Ultima Online. The buyer had no property rights whatsoever. Yet such virtual investments are becoming increasingly common in online games. *Wired* magazine's blog recently reported that a Miami man paid $100,000 for a virtual space station resort, from which he hopes to make money.

The real world offers its own counterevidence. In late-19th-century America, investors poured millions into the country's rising corporations, even though minority shareholders enjoyed scant protection under the legal doctrines of the day. Corporate executives and majority owners (often a handful of people) were largely free to manipulate businesses to their own advantage. In 1850, for example, the Rhode Island Supreme Court stoutly upheld the New England Screw Company's sale of assets on favorable terms to another company largely controlled by New England Screw's majority shareholders. American courts generally assumed that majority owners always acted in the best interests of the company.

Why did Americans (and others) continue to invest in the new corporations? Because the profit opportunities, despite the risks, were superior to the alternatives. Lamoreaux points out that the federal government had a great deal to do with creating those opportunities, through actions such as providing the legal authority and the "financial fillip" to build the nation-spanning railroads, opening public lands to prospectors and others, and creating the U.S. Geological Survey to map those lands.

That brings Lamoreaux to the Beijing Consensus, an alternative to the Washington version that calls for a more active governmental role in economic development and less preoccupation with property rights. These will emerge "endogenously" over time, advocates say, as the beneficiaries of economic development become larger and more powerful, just as they did in the United States. And today's globalized economy adds another endogenous influence, since developing-country governments know that investors can easily go elsewhere if they completely trample property rights. Attracting those investors in the first place with more profitable opportunities, Lamoreaux believes, ought to be priority number one.

EXCERPT

The Curse of Innovation

New products often require consumers to change their behavior. . . . Many products fail because of a universal, but largely ignored, psychological bias: People irrationally overvalue benefits they currently possess relative to those they don't. The bias leads consumers to value the advantages of products they own more than the benefits of new ones. It also leads executives to value the benefits of innovations they've developed over the advantages of incumbent products.

That leads to a clash in perspectives: Executives, who irrationally overvalue their innovations, must predict the buying behavior of consumers, who irrationally overvalue existing alternatives. The results are often disastrous. Consumers reject new products that would make them better off, while executives are at a loss to anticipate failure. This double-edge bias is the curse of innovation.

—**JOHN T. GOURVILLE**, author of *Eager Sellers, Stony Buyers: Understanding the Psychology of New Product Adoption*, in ***Harvard Business Review*** (June 2006)

ECONOMICS, LABOR & BUSINESS

A Queen's Whims

THE SOURCE: "What's in a Surname? The Effects of Surname Initials on Academic Success" by Liran Einav and Leeat Yariv, in ***Journal of Economic Perspectives***, Winter 2006.

Economics is the queen of the social sciences, and it owes much of its success to its hypothetical *homo economicus*, a tireless soldier who has colonized other disciplines by seeming to point the way toward understanding the rational basis of human behavior. However, there has been an outbreak of irrationality in the queen's own court: alphabetical discrimination.

According to Liran Einav and Leeat Yariv, economists at Stanford and the California Institute of Technology, respectively, the awful truth is that professors at the nation's top university economics departments are more likely to have tenure if their last names begin with a letter toward the beginning of the alphabet. In the top 10 departments, every letter that brings a professor closer to A increases the chance of tenure by more than half a percent.

Tenure isn't the only privilege affected by alphabeticism. The advantage climbs to nearly a full one percent per letter in being named a fellow of the prestigious Econometric Society. Being closer to A may even get economists closer to the Nobel Prize.

Of course, there's a rational explanation for all this, and it appears to reside in an oddly irrational tradition among academic economists: When they publish multiauthor articles, the authors are listed in alphabetical order. Not only do those closest to A get the benefit of top billing, they enjoy a monopoly of attention in all subsequent citations of the article, which give only the first author's name followed by "et al."

Because there's been a steep increase in multiauthor economics articles in recent years, Einav and Yariv guessed that alphabetical discrimination wasn't common in the past, and that's exactly what they found: no alphabeticism as recently as 1990. What about other fields in which authors are not listed in alphabetical order? In one field they checked, psychology, there was no discrimination.

Curiously, alphabeticism also disappears outside the top economics departments. That may be because lower-ranked departments put more emphasis "on vitae and publication counts, while top departments care more about visibility and impact."

There are some obvious fixes for this little bit of irrationality—banning "et al.," for example—but Yariv may not wait for the invisible hand to work its magic. She's thinking of dropping the Y from her last name.

SOCIETY

Does the Death Penalty Deter?

THE SOURCE: "The Uses and Abuses of Empirical Evidence in the Death Penalty Debate" by John J. Donohue and Justin Wolfers, in ***The Stanford Law Review***, 58:3.

At the heart of the debate about whether the United States should retain capital punishment is the question of whether it deters murder. Some argue that executing murderers may actually cause more murders by desensitizing society at large to killing. But over the years, several studies have shown that killing convicted murderers does deter future murders. After reanalyzing the data used in the most prominent of these studies, however, Yale law professor John J. Donohue and Wharton business professor Justin Wolfers conclude that none of them demonstrates a clear deterrent effect.

Donohue and Wolfers tested the findings of original studies by covering a different time period, introducing comparison groups, changing the variables, and using other alternative analytical techniques. The fundamental difficulty with all these studies is that executions occur so rarely in the United States, they write. Thus, the number of homicides the death penalty can plausibly have caused or deterred cannot be reliably disentangled from the large year-to-year changes in the homicide rate caused by other factors.

One of the most often cited capital punishment studies is by economist Isaac Ehrlich, who changed the American debate with a 1975 analysis of national time-series data that led him to claim