

PASINETTI, LUIGI L. *Structural change and economic growth*. Cambridge, UK: Cambridge U. Press, 1981.

SRAFFA, PIERO. *Production of commodities by means of commodities*. Cambridge, UK: Cambridge U. Press, 1960.

*Searching for safety*. By AARON WILDAVSKY. Studies in Social Philosophy and Policy series, no. 10. Bowling Green, Ohio. Bowling Green State University, Social Philosophy and Policy Center; New Brunswick, NJ and London: Transaction Books, 1988. Pp. xi, 253. \$32.95, cloth; \$16.95, paper. ISBN 0-912051-17-5. *JEL* 88-0980

The main message that economists have to offer with respect to risk regulation policies is the need for tradeoffs. The risk regulation objectives of these policies are not absolute. Ultimately, society must strike a balance between the competing objectives these policies have.

In its most general form, one could evaluate these tradeoffs by assessing the nature of tradeoff between risk reduction and additional dollars expended. Even in situations where individuals might be unwilling to admit to the desirability of making tradeoffs of this kind, at the very least one should be interested in achieving the greatest risk reduction at the least cost. In particular, we should ensure that we are on the efficient frontier with respect to our risk reduction efforts.

*Searching for Safety*, the recent book by the political scientist Aaron Wildavsky, is primarily concerned with one aspect of these tradeoffs—recognizing the importance of economic growth in promoting safety. The principal themes are drawn from two basic lines of work in the economics literature. The first concerns the importance of making risk-risk tradeoffs within a given regulatory situation. In many contexts there are multiple risks. Pharmaceutical regulations reduce the risks of dangerous and ineffective drugs, but may decrease the availability of life-saving drugs. The second manner in which such risk-risk tradeoffs arise is with respect to greater levels of wealth. A major theme in the health economics literature and in the literature on risk-taking behavior is that there is a strong relationship between individual income and the demand for good health. Greater economic progress also leads to innovations that lower the cost of producing safety. Wildavsky has de-

veloped a series of chapters that expand on these themes. He suggests that society may often be better off from a risk standpoint if we pursue policies that advance our material well-being even though some risks may be entailed, since the major gains to society have arisen from our increased affluence. What he does not always distinguish is the extent to which these gains arise from shifts in our abilities to produce safety as opposed to demands for more of it from a given set of safety production possibilities.

The nature of Wildavsky's argument is to develop a series of themes related primarily to the link between safety and economic progress. He augments his discussion with examples and excerpts from previous publications. The book includes no tables or equations, for example. It does, however, draw extensively on the policy analysis literature in the area.

Wildavsky begins by citing the jogger's dilemma, where jogging may raise one's immediate risk but lower one's lifetime risk and improve one's physical well-being more generally. In addition, he cites the importance of experimentation in risk management. Economists will recognize the desirability of experimentation as the familiar two-armed bandit problem where trials with the uncertain option may be desirable since we often may learn about the attractive properties of an uncertain option and choose to pursue it after acquiring this knowledge. Our choice of technologies and experimentation with potentially risky drugs often fit this paradigm.

Wildavsky provides an extensive discussion of the positive relationship of affluence to safety. Although this theme is well established in the economics literature, Wildavsky is not a late-comer to this point of view, as it is based on his original 1980 article in *The Public Interest*. Although this theme emerged in the economics literature primarily in the 1970s, the point Wildavsky makes is an important one and merits the kind of elaboration that he gives it. He presents extensive excerpts from the literature and many pertinent citations. The presentation would have been even more compelling for economists had he also included additional references to the more formal empirical research on this topic that has taken place in the economics literature.

The new material that economists are likely to find of greatest interest is in Chapter 6, which is an essay on nuclear safety, written with Elizabeth Nichols. One of the more interesting problems noted by the authors is that testing of nuclear reactors can often be counterproductive. One would like to ensure that the diesel generators for these reactors that might be called upon in an emergency will be able to provide sufficient back-up power; but, unfortunately, testing of these generators may actually make them less dependable after the test.

Wildavsky focuses only briefly on the kinds of tradeoffs that are most prominent in treatments of risk issues by economists. In particular, Chapter 4 provides a discussion of the costs per life saved for various government policies. However, since this material is based on his citation of previous surveys of regulatory agencies' value of life that were published more than a decade ago and were based on regulations promulgated even earlier, it does not provide as up-to-date a treatment of these issues as is available elsewhere.

From the standpoint of the author's major theme, this drawback is not essential since the primary intent is to document the multiple risk tradeoffs we face and the importance of economic growth to improvements in health. Readers will find here a diverse and eclectic series of examples to support this general view.

Some economists might have wished that Wildavsky had gone even farther in his advocacy of tradeoffs. Since the U.S. Office of Management and Budget now requires that all risk regulation agencies assess both the benefits and costs of their regulatory efforts, it may be that in some cases government risk regulation practices already recognize tradeoffs that go beyond those advocated here.

Although it does not break new economic ground, this book provides a useful introduction to risk regulation issues for governmental officials and undergraduates. Furthermore, the fact that it has aroused considerable controversy among sociologists and political scientists suggests that there is a pressing need for additional risk management education. Reading *Searching for Safety* would be a good place for these people to start.

W. KIP VISCUSI

*Duke University*

030 HISTORY OF ECONOMIC THOUGHT;  
METHODOLOGY

*Understanding capital: Marx's economic theory.* By DUNCAN K. FOLEY. Cambridge, MA and London: Harvard University Press, 1986. Pp. viii, 183. \$20.00, cloth; \$8.50, paper. ISBN 0-674-92088-0, pbk. JEL 87-0376

In this succinct yet encompassing book, Duncan Foley presents his interpretation of Marx's economic theory, including his own resolution of some of the famous paradoxes or inconsistencies in the theory. The book should be comprehensible to the upper-division student and will be instructive to any reader, as it is the most codified and clear expression available of Foley's contribution to Marxist economic theory.

Marx based his analysis of the capitalist economy on the labor theory of value (LTV)—inherited, with amendment, from Ricardo. His development of the LTV gave many insights into capitalism, but also produced some paradoxes and results that seem wrong when confronted with modern tools of economic analysis. The most common reaction of economists has been to discard Marxian economics because of these paradoxes or mistaken conclusions (Samuelson 1971). There have been, in my view, two notable minority reactions: (1) to admit that Marx's LTV is wrong in many aspects, but to show that some of his essential insights about capitalism can be demonstrated in models that do not assume the LTV (Morishima 1973; Cohen 1979; Roemer 1982, 1988; Elster 1985); and, (2) to retain the LTV as central, but to reinterpret it in a way that allows resolution of the paradoxes/mistakes. Foley's book is, I think, the best example of the latter approach. In what follows, I shall contrast these two approaches to Marxist economics on four questions.

*Property rights and exploitation*

Foley writes: "If you do not accept the postulate that labor produces the whole value added, you will not see much basis for the claim that wage-labor is exploitative. I think this is the main reason that the labor theory of value has fallen into disrepute among orthodox economists" (p. 39). Foley's solution is to stick to what he views as the Marxist guns, namely, the aforementioned postulate. The approach of Cohen (1979) and Roemer (1982, 1988) is to