a disproportionately large share of the offenses. Why let "amateur statisticians" off the hook so lightly, when they really seem to be indulging in old-fashioned, ill-informed prejudice?

MANY OF D'SOUZA'S POINTS ARE BASED on disproportionality, which isn't the same thing as propensity. In arguing that the black middle class owes a large part of its existence to government, D'Souza reports that 24 percent of blacks work for the government, compared with 14 percent for whites. Furthermore, he writes, "state and local agencies which service a poor and predominantly black clientele, such as housing and welfare, employ substantial proportions of African Americans: 38 and 23 percent respectively."

This last point is advanced to prove that employed blacks have a vested interest in the continuation of government bureaucracy and the welfare state in a way that employed whites do not. But D'Souza's own data show that three-fourths of black workers are employed in the private rather than the public sector, and that most welfare bureaucrats are whites. Blacks do need to make more progress in private-sector employment and entrepreneurship, as D'Souza subsequently argues, but why exaggerate the point?

Sensitivity has become unpopular among conservatives today, especially among *agents provocateurs* on college campuses who, like the student activists of the 1960s, delight in challenging orthodoxy and "political correctness." But grace and manners have practical utility. They oil social interactions among human beings that would otherwise be full of scraping pistons and dangerous sparks.

D'Souza greatest failure in *The End of Racism* is that he has chosen a style of argument, even a set of chapter titles (e.g. "Uncle Tom's Dilemma: Pathologies of Black Culture"), that provokes rather than persuades. Call me politically correct, but I don't think there's anything wrong with sensitivity and prudence on matters of race. The issues are so complex, with so many raw nerves and historical grievances involved, that one cannot debate race matters in the same wonkish or clever way one might discuss capital gains taxes or medical savings accounts.

D'Souza has written a comprehensive and often entertaining literature survey about race in America today, but its breadth disguises a lack of depth. He knows who's who on the various sides of scholarly race debates, but exhibits little personal experience with blacks who aren't "pathological" or with honest-to-goodness white racists, who remain depressingly numerous, in my experience.

To say that blacks commit crimes at relatively higher rates than whites of the same age is not to say that the average black teenager poses a significant threat to a cab driver, sidewalk passerby, or employer.

This past October, I attended a four-day seminar on human relations and leadership in which one participant, a talented and personable black dentist from nearby Fayetteville, North Carolina, broke down in tears recounting her academic experiences. She was always expected to perform worse than her white classmates, she said. Many of her black friends didn't understand or support her academic success or her decision to enroll in upper-level courses that were almost all-white. And some of her white co-workers and fellow students didn't take her many accomplishments seriously, attributing them to affirmative action rather than to her own efforts.

To this woman, struggling to deal with a set of complicated and heart-rending emotions, D'Souza has something to say in *The End of Racism*: You probably *are* where you are because of affirmative action. Your accomplishments do not, in fact, deserve to be taken seriously.

He describes a great deal of economic and social progress by blacks over the past three decades as essentially the result of quotas in education and employment. "Many middle-class blacks seem to realize very well that the reason they are in the middle or upper-middle class is because they are black," he writes. Few middle-class blacks, therefore, will agree to end racial preferences "when they know that it is race that helps to pay the mortgage." Even though D'Souza has important things to say about race and public policy, my black dentist friend, and others like her, aren't likely to listen because of his tendency to exaggerate and provoke. This is unfortunate, and hardly hastens the end of racism.

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Losing Argument

By James K. Glassman

The Winner-Take-All Society, by Robert H. Frank and Philip J. Cook, New York: Free Press, 272 pp., $25.00

EXCEPT FOR A SHALLOW RECESSION four years ago, the U.S. economy has been humming along very nicely since Ronald Reagan was elected president. But we have to worry about something, don't we? So lately economists, sociologists, and politicians have been worrying about the disparity between the richest Americans and everyone else.

Since 1978, for example, the top 5 percent of households have increased their share of the national income from 17 percent to 21 percent. In real dollars, the average income of the top 20 percent of Americans has grown by about one-third while the average income of those in the middle 20 percent has been flat.

While no one really knows why this divergence has occurred, many economists think, as Robert H. Frank and Philip J. Cook put it in *The Winner-Take-All Society,* that "the best performers have somehow gotten 'better' relative to their colleagues." This conclusion—to which Frank and Cook, by the way, do not subscribe—is a natural outgrowth of what's called "human capital theory," which is the idea that a person's wages are determined by his own store of income-producing assets, such as education, intelligence, and drive.

Adam Smith described the concept more than 200 years ago in *The Wealth of Nations*: "The contrast between the intelligence, the activity, and, above all, the economy [that is, thrift] of some and the indolence, inaction and dissipation of others, was a fourth principle of inequality and the most powerful of all."

Human capital is analogous to financial capital. "Thus," write Frank and Cook, "a worker with twice as much human capital as another will earn twice the wage, just as someone with $10,000 in the bank will earn twice as much interest as someone with only $5,000."

Economists who adhere to this sensible theory believe that the computer revolution and increased access to information have vastly increased the stock of human capital for some Americans when compared to others who are less brainy, educated, or diligent. This is Labor Secretary Robert Reich's constant refrain, and the solution, he says, is to increase chances for education and training.

But even economists who subscribe to the human capital theory admit that it isn't completely satisfying. Writing in November in *The Washington Post*, my colleague Steven Pearlstein cited Frank Levy, an economist at the Massachusetts Institute of Technology who has been "reviewing all of the wage inequality literature of the past decade." Levy was forced to conclude that "economists can explain only about half of the increase in inequality over the last 20 years." For one thing, incomes in the United States have diverged more than those in Japan and Europe, where the same technological forces are present.

Frank, who teaches economics, ethics, and public policy at Cornell, and Cook, who teaches public policy at Duke, think they can explain the other half of the increase in inequality—and perhaps more than that. The provocative thesis of their book is that it is the nature of more and more job markets to give top performers huge rewards and everyone else crumbs. Thus, Michael Eisner makes $200 million in a single year as CEO of Disney; novelist Danielle Steel gets $12 million per book; boxer Evander Holyfield is paid $28 million for a year of prizefights. Meanwhile, median incomes stagnate, most writers can't even get their books published, and the average boxer is lucky to earn a few hundred dollars a fight.

Frank and Cook admit that "the widening gap between winners and losers is apparently not new," and they quote the British economist Alfred Marshall, writing in 1890: "There never was a time at which moderately good oil paintings sold more cheaply than now, and there never was a time at which first-rate paintings sold so dearly." Markets have always rewarded the best with a premium. "What *is* new," say Frank and Cook, "is that the phenomenon has spread so widely and that so many of the top prizes have become so spectacular."

Most markets, of course, do not reward a single winner, but a select group—a handful of best-selling novelists, pro basketball players, or movie stars. But, in some markets, the phrase "winner-take-all" is close to the literal truth, the gap between the number-one and number-two performer is that wide. "For many years," the authors write, "the face of Mary Lou Retton, the 1984 gold medalist in gymnastics, peered out at millions of Americans each morning from the front of their Wheaties boxes. Her endorsement contracts have earned her several million dollars in the years since her medal. But although Retton's victory over the 1984 silver medalist came by only a slim margin, today almost no one can even remember the runner-up's name."

Why do Frank and Cook think that winner-take-all markets are emerging now, all of a sudden? One reason is technology. But unlike adherents to human capital theory, Frank and Cook have a specific force in mind—the ability to broadcast rather than narrowcast. The best opera singer 100 years ago may have earned the equivalent of $1 million a year. Her income was sharply limited by physical constraints—the number of seats in the theaters she could tour in a single season. Today, however, Michael Jackson can make $50 million a year since he can reach hundreds of millions of fans in just one night by satellite and sell them his mass-produced CDs the next morning.

A second reason for the rise of winner-take-all markets is something the authors call "decision leverage." As corporations have grown larger, write Frank and Cook, "a small difference in the quality of even a single decision can translate into an enormous difference in the value of final output. Consider a chief executive officer who must decide which of two new products will be produced by his Fortune 100 firm....Making the right choice could easily mean several million dollars of added profit."

AT THIS POINT, YOU MAY BE NODDING your head in agreement. What an interesting idea! But before you get carried away—and before we learn the rest of the authors' argument (the economic and social consequences of winner-take-all systems, and the remedies), let's take a breather and ask an important question: What evidence, other than juicy anecdotes about movie stars and athletes, do Frank and Cook provide to back up their thesis?

As far I can see, none. Intuitively, we can understand that, in the glamour professions (entertainment, sports), the top performers reap huge rewards, almost certainly larger in relative terms than in the past. But those changes may simply be the result of the decline of cartels like the studio system—which kept stars from receiving earnings that properly reflected their store of human capital—or the tyranny and collusion of professional sports-team owners before players' unions.

But what about business? The authors cite statistics that compare the pay of CEOs with that of other workers. They trot out the famous "estimates" (their word) of compensation consultant Graef Crystal, who reports that while the typical head of a large American corporation earned about 35 times the pay of an average manufacturing worker in 1974, today the ratio is about 120–1.

But how much of that change comes from the fact that the corporations they run are larger, or that the productivity of the CEOs themselves has improved at a faster rate than the productivity of manufacturing workers? Does the phenomenon pervade second-tier corporations as well, or is it isolated? And, as with sports and movie stars, how much of the change merely reflects the appropriate play of market forces that were previously suppressed? Frank and Cook concede that "there has been a dramatic increase in the extent to which American firms compete with one another for the services of executive talent." For one thing, they're hiring CEOs from a broader pool, rather than promoting from within, and they're tying their compensation to stock performance, an idea that has been long overdue.

Since they have no definitive data, Frank and Cook take a kitchen-sink approach to their subject. They throw in everything they can get their hands on. For example, here is one of their explanations for how winner-take-all markets arise: "The demand for a front-rank product or service may also stem from a desire to avoid regret over possible adverse outcomes attributable to having bought less than the best." In other words, a producer may hire Robert Redford because, if the picture flops, he'll be able to avoid kicking himself for not hiring Robert Redford. He won't have to say, "Damn! If only I had hired Redford, it might have been a hit." But it seems just as likely that the producer of the flop would be glad he did *not* hire a pricey star: "Whew! It's a good thing I didn't hire *Redford.* I would have lost $40 million on that picture instead of $30 million."

At times, *The Winner-Take-All Society* has the feeling of an exam paper in an introductory economics course, with the students trying to impress the professor with every fact and concept they'd learned during the year. Thus, making cameo appearances are hoary notions like The Prisoner's Dilemma and The Tragedy of the Commons and a gratuitous attack on Reaganomics. There are touch-and-go forays into advertising, the Wall Street practice of estimating earnings, overwork, college athletic budgets, body-piercing, and celebrity journalism. While some of these little essays are entertaining, I wish Frank and Cook had devoted more space to convincing readers, through the use of actual numbers, that their winner-take-all thesis has some validity. They should have heeded the words of Lord Kelvin, chiseled in stone over the entrance to the Social Science Building at the University of Chicago: "When you cannot measure it, when you cannot express it in numbers, your knowledge is of a meager and unsatisfactory kind."

The authors start with a compelling idea, but end with oppressive social engineering. They've forgotten that an economy that's structured to achieve high levels of individual performance benefits practically everyone.

But let's be charitable and concede that winner-take-all is a sound concept. The next question is: So what? What's wrong with opera star Kathleen Battle making millions while a member of the chorus makes a few thousand? The main concern of the authors—the crux of their argument, really—is that winner-take-all markets misallocate talent and resources. Not only are such markets inequitable, they're wasteful to the economy as a whole.

Frank and Cook believe that huge winner-take-all payoffs attract "too many contestants," luring productive citizens "into socially unproductive, sometimes even destructive, tasks." In other words, seeing Kathleen Battle making so much money, a woman who might study to become a biology teacher instead devotes years to improving her voice—only to find that, as the world's 200th best soprano, she can't make a decent living. By then, it's too late for her to become a biology teacher, and society and the economy lose out.

THE ONLY EVIDENCE THE AUTHORS OFFER as proof of this "overcrowding" thesis is the observable "human frailty" that we can see in lotteries and other forms of gambling, "namely, our tendency to overestimate our chances of winning." (Cook is the author of a book called *Selling Hope: State Lotteries in America.*) But gambling, for most Americans, is harmless entertainment. We take our occupational choices far more seriously. How long does it take to realize that you're not going to become a great soprano or a pro basketball star? How much talent is truly wasted? My guess is, not much—certainly not enough to have an adverse effect on the efficiency of the U.S. economy.

Also, can't the lure of a huge payoff have a *good* effect? As more contestants enter the race for stardom, competition increases, and those who emerge as best are better than they would have been in a less-crowded field.

The authors argue that non-winners are essentially losers. They get nothing, or next to nothing, or, at best, they get less than they would have gotten if they had gone into other careers. Again, society is said to lose. But is this true? A chief operating officer or chief financial officer who loses the race for CEO is still well-paid—

and, more important, the lure of the CEO's job (and compensation) continues to inspire those lower-level executives to try harder. In fact, there's a good case to be made that, even if a $10 million salary is an overpayment to the CEO (he would be just as satisfied with, say, $5 million), it is a spur to dozens of executives lower on the ladder, who otherwise wouldn't work so hard. Thus, in the end, it is economically beneficial.

Now, let's make two concessions: that winner-take-all markets explain inequality and that such markets misallocate talent and resources. The solution Frank and Cook offer is no surprise. They want to take away a chunk of the winners' prizes through more steeply progressive taxes.

They also advocate what they call "positional arms control agreements"—contracts to curb what they see as wasteful competition for winners' prizes. One of their ideas is a national policy to "encourage people to work fewer hours." For example, "the number of official national holidays could be increased." (It's hard to see winners taking those days off. Would the authors jail them if they didn't?) "If people worked a little less," write Frank and Cook, "they would have to be paid a little less as well. But if *everyone* were paid less, then people would also need less to meet their obligations."

But positional arms control agreements also deter peak performance. Imagine such an agreement in a professional golf match. Four top golfers are asked to play a round in which a single winner can earn $400,000 and three losers nothing at all (like the TV *Skins Game*). Now imagine that the four golfers make a secret pact before the match to split the total prize money four ways, with each receiving $100,000, no matter how the actual competition turns out. Would such an agreement lead to a better performance, or a worse one? The answer, it seems, is obvious.

Having started with a compelling idea, Frank and Cook end, inevitably, with social engineering that's both oppressive and trivial. What they've forgotten is that an economy that's structured (or, better yet, unstructured) to achieve high levels of individual performance benefits practically everyone. For one thing, winner-take-all systems (or plain old unfettered capitalism) bring us, at low cost, the aesthetic pleasure of watching Mary Lou Retton and listening to Kathleen Battle. That's a pretty good payoff.

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Who Ordered That?

By Steven Postrel

At Home in the Universe: The Search for the Laws of Self-Organization and Complexity, by Stuart Kauffman, New York: Oxford University Press, 321 pages, $25.00

BACK IN THE NINTH GRADE, I WAS subjected to that bogeyman of all liberal intellectuals, a creationist biology teacher. For the most part, he followed the standard curriculum (which even in the mid-1970s was heavy on ecology and "environmental" science), but when it came time to discuss evolution, his heterodoxy appeared. It was mostly standard stuff—nothing likely to faze a free-thinking 14-year-old. There was one point, however, where my teacher, a gentle man truly concerned about our immortal souls, hit on an argument I found disturbing.

He pointed out that evolutionary theory had no good, or even very plausible, way to explain how life could have arisen from non-living materials to begin with. There are some simple probability calculations one can perform to guess how long it would take randomly interacting molecules of a prebiotic sort, even under favorable conditions, to spontaneously form the very particular building blocks of today's organisms. The results aren't pretty for a non-miraculous account of life's origins—the biosphere looks like an extremely unlikely accident.

It is not only at the origins of life that mainstream biology invokes accident as a central explanatory principle. As Stuart Kauffman, fellow at the Santa Fe Institute and winner of a MacArthur "genius" grant, points out in *At Home in the Universe*, "Biologists see organisms as tinkered-together contraptions, and evolution as a tinkerer. Organisms are Rube Goldberg machines; the jawbone of an early fish became the inner ear of a mammal. Organisms really are full of the strangest solutions to design problems. Biologists delight in discovering these and noting to one another, and particularly to those of us inclined toward theory in biology, 'You'd never have predicted that!' Inevitably the assertion is correct." Kauffman cites a statement by Jacques Monod, a Nobel-winning biologist, that "Evolution is chance caught on the wing."

WE AND EVERYTHING LIVING, IN THIS view, are entirely historical accidents. Kauffman's research program—one might almost say his obsession—is to demonstrate the possibility of providing better explanations than "accidents happen" when confronted with the intricate structure and behavior of complex evolving systems.

At Home in the Universe is a popularization of his 1993 tome, *The Origins of Order*, where Kauffman first set out a comprehensive statement of his vision. That vision takes in not only biology but also economy, culture, and society. It seeks a new synthesis between reductionism and holism, as well as chance and necessity; it tries to lay a mathematical foundation for predicting the occurrence of spontaneous order while considering the role of evolution and selection; it bids fair to bring forth a new technology of univer-