

# Book Review: The Darwin Economy: Liberty, Competition and the Common Good

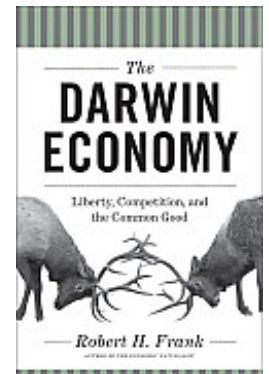
*Daniel Sage* reviews Robert H. Frank's new book, finding that the Cornell University professor offers a powerful theoretical insight into the nature of competitive economic forces and the free market.

**The Darwin Economy: Liberty, Competition and the Common Good.** Robert H. Frank. [Princeton University Press](#). September 2011.

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What economic and social policies will maximise total welfare? How can society best protect and strengthen personal autonomy? What is the best and most efficient way to enlarge the economic pie? These are the big questions posed by Robert H. Frank, professor of economics at [Cornell University](#), in his latest book *The Darwin Economy*.

Writing from an American perspective (although similar arguments could apply to the UK too), Frank argues that libertarian thought has – to our detriment – dominated the answers to these questions for far too long. Frank characterises the libertarian approach as inspired by Adam Smith's famous metaphor of the 'invisible-hand'. At the heart of this is a theory of how competition works: in a competitive free market, argued Smith, the actions and pursuits of self-interested individuals – the butchers, brewers and bakers – will allocate resources in the most efficient way to maximise economic welfare.



*The Darwin Economy* fundamentally challenges this theory of competition which, argues Frank, is a flawed way of understanding competitive forces throughout many aspects of economic life. This argument rests not upon economic theory but biological, in the form of Darwin's theory of natural selection.

In the natural world, Darwin argued that individual incentives and interests are often at odds with the wider interests of the group. For Frank, this is also the case in economics. A factory worker may be incentivised, for example, to choose higher pay at the expense of safety regulations in order to gain a competitive advantage over his colleagues. However, the consequence of the worker's self-interested actions would in all likelihood make him less safe and relatively no better off; his colleagues, equally driven by individual incentives, would also opt for higher wages and lower safety regulations. As a result, the group as a whole is relatively no better off and far less safe.

If this is the case, Frank argues that it is necessary to determine the areas of socio-economic life where competition is in fact damaging. This involves exploring where the interests of individuals and groups collide and, subsequently, using government to architect desirable outcomes. Otherwise, unbridled competition will lead to harmful consequences; a government strong where it needs to be is in everybody's interests, rich and poor.

According to Frank, collective actions have been largely absent from policy solutions to some of the world's most pressing problems, such as climate change and the financial crisis. But what would such solutions look like? Frank argues that if we agree that it is necessary to use government to arrive at better outcomes, it makes sense to use the most efficient and desirable levers. This would involve taxing 'harmful behaviours', such as CO<sup>2</sup>, congestion and smoking.

With these ideas, what *The Darwin Economy* achieves is to take on the 'invisible-hand' theory – so central to the libertarian thesis – largely on its own terms. The goals which Frank aims for are broadly the same as many libertarians: a high degree of personal autonomy, an efficient allocation of resources and the maximisation of the economic pie. However, what Frank forcefully reminds us of is that often the free market, and its inherent vision of competition, is sometimes unable to achieve these things.

This may be an old argument but Frank adds something new to the debate. Namely, he offers a powerful theoretical insight into the nature of competitive economic forces and the free market. This is achieved through his analogy with Darwinism, thus revealing the potential harm that the interplay of self-interested actions can have for the wider interests of the group. With great challenges – especially economic ones – facing the world, it is an insight we could all potentially benefit from.

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