desperately needed—is in external relations. Argonne had a fortress mentality."

There is an extremely unlikely possibility that the Administration could decide that the national labs should follow the AEC into oblivion. Otherwise the omens for Argonne look favorable. A DOE press release on the change in contract says that DOE will extend its contract with Argonne and that its Chicago operations office "will negotiate the expected five year contract."

A DOE veteran knowledgeable about the national labs review says the perception at DOE that Argonne "was quietly going to seed," has changed and that the recent contract action is "tangible evidence of greatly increased confidence in Argonne and Argonne's future" at DOE.

—JOHN WALSH

"Sclerosis" Blamed for Economic Stagnation

Democracies may be choked by the special interest groups they foster, Mancur Olson says

"Economic sclerosis" is the term University of Maryland economist Mancur Olson uses in describing the rigidity that afflicts American enterprise in the latter 20th century. With support from the National Science Foundation (NSF), Olson has written a new book, *The Rise and Decline of Nations*,* that boldly claims to explain how this economic disease grows and why it is likely to attack any democratic society that remains stable and affluent.

His theory, in the words of one NSF staffer familiar with it, is "big-think economics, as opposed to the kind of work we usually sponsor, which is full of equations." The new book has been criticized for its lack of "hard data crunching" or empirical research. Yet it has sparked interest because of its breadth and plausibility.

Olson's theory works as follows. In societies that permit free trade and free organization, coalitions will form around marketable goods and services. Groups of producers, like those who grow wheat or own oil, will organize to protect their assets and, if possible, boost profits by raising prices. Physicians and lawyers do much the same in joining professional societies. Labor unions organize workers to bargain for wages.

In the early stages of this coalition-building process, there are relatively few interest groups, and their memberships are small compared to the society in which they operate. As they develop, they try to impose a variety of specialized rules on the economy that supports them. By law or collusive contract, they make penalties for those who would market the same goods or services outside the group. They also offer selective advantages to those who join and cooperate. Because these groups are small (Olson says they typically include no more than 1 percent of the people in their state), they have no incentive to boost members' welfare by boosting the state's welfare. Instead, they concentrate on promoting their own narrow interests, even at the cost of retarding the general economy. A modest effort at self-aggrandizement may bring great rewards.

As time goes by, tariffs, price supports, monopoly prices, wage guarantees, and business codes grow more numerous. All are intended to channel commerce into areas that benefit the special groups that fought for them. The combined effect is to create obstacles to trade and to prevent innovation. The economy suffers. In the past, nations suffering from this affliction have enjoyed renewed growth after a cataclysm has intervened to wipe out existing trade barriers, or when new territory has been opened for development. Sometimes the power of a domestic group is undercut by low-cost imports, if the imports are not blocked. Rarely has any nation abolished special interest codes voluntarily.



Mancur Olson

Olson's theory has something to say about inflation and business cycles, as well. Inflation may be a common symptom of nations in a sclerotic condition, Olson believes, because it offers a brief measure of relief from economic stagnation. Special interest groups, being run by committee rule, generally maneuver slowly. For this reason, they cannot always adjust their demands upward as rapidly as the nominal value of goods and services increases. This is particularly true if inflation appears suddenly, without warning. Thus inflation may be tolerated because it temporarily devalues the cost of products within the control of special interests. In time, this form of relief fails because the special interests soon catch up and raise their demands in pace with inflation.

In the contrary case, during periods of sudden price decline, the advantage held by interest groups is intensified. Those who operate outside the protection of a group may be forced to lower prices or wages. But the interest groups, again moving slowly, haggle over proposals while the storm rages around them. They may not reduce their demands until a recession has already damaged the economy. After a period of negotiation, they may begin to adjust, but by then investment in new projects will have been cut short, worsening the prospects for recovery. Thus Olson sees a real risk that the inflexibility of special interest groups can lead in bad times to a "vicious downward spiral."

It would be difficult to prove this thesis with numerical data, simply because the volume of information required would be overwhelming. Thus Olson cites several broad historical economic trends as evidence of its validity. His chief example of a democracy that has survived without invasion, revolution, or

**The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (Yale University Press, New Haven, Conn., 1982.)

0036-8075/82/1022-0357$01.00/0
Copyright © 1982 AAAS