2006

Book Review. When All Else Fails: Government as the Ultimate Risk Manager by David A. Moss

Ajay K. Mehrotra
Indiana University Maurer School of Law

Follow this and additional works at: http://www.repository.law.indiana.edu/facpub

Part of the Political Theory Commons, and the Public Administration Commons

Recommended Citation
http://www.repository.law.indiana.edu/facpub/2538

This Book Review is brought to you for free and open access by the Faculty Scholarship at Digital Repository @ Maurer Law. It has been accepted for inclusion in Articles by Maurer Faculty by an authorized administrator of Digital Repository @ Maurer Law. For more information, please contact wattn@indiana.edu.
Building on the work of an earlier generation of scholars, revisionist historians in recent years have renewed the process of challenging the myth of American laissez-faire. Without denying that an aversion to centralized state power is ostensibly a fundamental part of American political culture, these historians have shown how, paradoxically, most Americans have been willing to exercise the broad powers of government while embracing an emotional commitment to individualism and statelessness. David Moss’s *When All Else Fails* is one of the latest and finest contributions to this ongoing revision.

Moss contends that the management of risk has always been one of the state’s most potent yet subtle functions in a modern capitalist society. By risk management he means not only government regulations that prohibit certain activity and hence reduce risk, but more importantly those laws and policies that shift risk between parties and/or spread risk over a broad range of groups. From corporate limited liability, which shifts the risk of business default from shareholders to creditors, to product liability laws, which transfer the risk of injury from unsafe products from consumers to manufacturers, Moss charts how the state has played a pivotal role throughout American history as the ultimate risk manager.

Using several well-researched case studies of risk management policy, Moss distills some general themes about the historical development of American law and political economy. He notes, for example, that policymakers have used a variety of flexible risk management tools to achieve changing social objectives—tools that Moss finds ‘surprisingly sophisticated in their economic treatment of risk and the government’s role as a risk manager’ (p. 295). The remarkable plasticity of these risk management policies suggests to Moss that reformers and lawmakers have been concerned not just about solving what economists have identified as asymmetric information problems in private insurance markets, but also about applying shifting social priorities to correct different types of market failures during various periods of American history.

More specifically, Moss claims that US risk management policy has evolved sequentially through three distinct phases. During the first phase, from the founding of the republic to roughly the end of the nineteenth century, lawmakers were preoccupied with economic development; thus, they enacted policies such as limited liability and bankruptcy that sought to mobilize capital and encourage entrepreneurial activity. When social priorities shifted from a focus on economic growth to worker security during the first half of the twentieth century, phase two occasioned the enactment of employment-related social insurance programs like workers’ compensation, which protected employees while reallocating the risk for workplace hazards onto employers—who reformers argued were in a better position to monitor and reduce such risks. In the third and final phase of risk management.
policy, from roughly 1960 to the present, policymakers have focused on providing security for all citizens through such measures as federal disaster relief and environmental liability.

Through these three phases of development, Moss persuasively documents how risk management has allowed lawmakers to reconcile their desire to use state power with their faith in free markets. By creating limited liability, bankruptcy protection, workers’ compensation, social security, disaster relief, and a whole host of other risk management laws, policymakers were able to reallocate risk with little government spending or administrative bureaucracy. In this way, public risk management was ‘particularly well suited to the distinctive political and ideological character of the United States: statism for anti-statists, so to speak’ (p. 17).

Although the synthetic case studies cover familiar terrain, Moss concisely summarizes the current literature in each of the fields, and provides some compelling rationales for why social priorities governing risk management may have changed over time. For example, in the chapter on workers’ insurance (Chapter 6), Moss recounts how the establishment of a mature economy and the growing number of industrial accidents forced policymakers in the early twentieth century to shift their energies away from business security to worker security. In so doing, reform-minded politicians and social scientists spearheaded the movement for government-mandated social insurance programs like workers’ compensation. Yet, because of changing economic conditions and the forces allied against reform, policymakers were less successful in their battle for unemployment insurance (at least until the Great Depression) and compulsory health insurance, which resolutely remains a ‘glaring exception’ (p. 179) to the ubiquitous triumphs of public risk management.

In charting how a broad range of seemingly unrelated government policies shared the logic of risk management, Moss’s chronological narrative claims to focus more on the problems that policymakers were trying to solve than the interests that they were trying to serve. This emphasis on ‘ideas and values’ as the prism for revealing ‘the hidden coherence of American risk management policy’ (p. 21) seems to imply that special interests and rent-seeking activities have played only a secondary role in the lawmaking process. One wonders, though, if ideas and values could be so easily divorced from interests and factions. If changing social priorities matter, so too must the interests and pressures placed on politicians and policymakers to address certain risks and not others. Certainly, as Moss admits, the failure of mandatory health care in the United States is a result of the victory of special interests over public problem solving.

Nevertheless, When All Else Fails ultimately posits a persuasive argument for understanding how and why government actors throughout American history have been able to manage a variety of risks—all while holding onto the fiction of limited government.

AJAY K. MEHROTRA

Indiana University—Bloomington