MANCUR LLOYD OLSON, JR. 1932-1998

It was in late September 1955 that Mancur Olson introduced himself. In the Porter’s entry lodge of our Oxford College he asked whether I had rooms in College or was living in “digs.” “College,” I mumbled because I had no idea what “digs” meant, having been in Oxford not more than a day. His speech and manner seemed so British I was astonished to learn that he had arrived in Oxford only a year before, and from North Dakota, a State neighboring my own. It would be twenty years before I would learn that his ever so slowly mellowing English accent was not foreign to him at all but something regional or local from home. Twenty years also before I would think to ask the meaning of “Mancur”—thinking it might be Norwegian and after hearing so many say “Mankur,” which never seemed to bother him. “From the Arabic,” he told me, meaning “Victorious.”

Academic 1955-56 was Mancur’s final year at Oxford, and during it he and I both read (studied) PPE (Honour School of Philosophy, Politics, and Economics in the Oxford jargon of the day), we had the same tutors, dined in Hall on the same ration of three styles of potatoes, and drank bitter beer in the same University College Cellars. Our principal economics tutor was Tom Wilson, a contemporary of Keynes, macro-economist at the Treasury during the War, later adviser to Conservative Governments, with a special interest in business cycles, and lifelong friend to us both. Hicks held the Drummond Chair of Economics, and Harrod held forth as a Don at Christ Church. But Oxford in those days really belonged to Philosophy: Eyle at Magdalen College, Strawson and H.L.A. Hart at University, Searle at Christ Church, Isaiah Berlin at All Souls, Austin, Kneale, Warnock, Anscombe, and so many others. But although required by the Oxford University examination statutes to sample the delights of analytic philosophy, Olson seemed not tempted. He loved economics—right up to the moment of his unexpected, lightning-sudden heart attack as he was leaving his office at 3:00 on the afternoon of February 19, 1998.

I distinctly remember talking with Mancur in our college Junior Common Room over some point on the debate between Edward Chamberlain’s Monopolistic Competition and Joan Robinson’s Imperfect Competition. This may have been my first encounter with his tenacious commitment to the subject and method of economics, and to scholarship as a career and a profession. Never before had I come across this explicit reverence for scholarly work—at least not among contemporaries—nor with this commitment to rationality in persons. Indeed, this was as close to a religious impulse as I ever detected in Mancur. But I was to learn over the years that he re-

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pected the power of the rationality hypothesis to explain and appraise human behavior vastly more than any other—and his Vita showed it. How many times have his colleagues and friends heard him question: "But would that (such and such behavior or inference) be rational?" He believed in Economics like few others I have ever met, and he saw the economic factor in situations where it dawned on no one else. It was, I suspect, the strength of this conviction which fueled his commitment to extend economics beyond markets, commerce, and money, as he was among the first to imagine the heights this idea could command. And among the first to launch on a serious program to explore these peaks in the face of skepticism and sometimes opposition. Whether this was the explanation or not, most who met and heard Mancur would call his ideas arresting, original, interesting, novel, thought provoking.


By the time he was commissioned in the Air Force in 1961 and stationed at the newly established Air Force Academy, Olson showed traits which would distinguish him throughout his accelerating academic career. One of these was the ability to distill publishable insights from life experiences. As a faculty member in the Economics Department at the Air Force Academy, he authored a study on the effectiveness of strategic bombing, and completed *The Economics of Wartime Shortage: A History of British Food Shortages in the Napoleonic War and World Wars I and II* [Duke University Press, 1963]—and this at a time of serious military planning to prepare, survive, and prevail in a major war. Even in a world of economic history Mancur was concerned with current policy. He had long been interested in economic history, and while still a Harvard graduate student he wrote (with Curtis C. Harris Jr.) "Free Trade in Corn: A Statistical Study of the Prices and Production of Wheat in Great Britain from 1879 to 1914," *Quarterly Journal of Economics* (February 1959). Upon his resignation from the U.S. Air Force, before taking up an assistant professorship at Princeton, he thus had published a book, two articles in *Harvard's Quarterly Journal of Economics*, and two other refereed articles—impressive innom for sure but arguably no "home run."

The first home run was "An Economic Theory of Alliances." Just how this idea dawned on Mancur I never asked but possibly it germinated in the Air Force Academy years. The applicability of the voluntary public good provision model to alliance behavior is mentioned in *The Logic of Collective Action* (pp. 36 and 40) but not really spelled out. In any case in my files I have the paper of this title given one afternoon to a seminar at RAND in the summer of 1964. Richard Zeckhauser, then a Harvard graduate student was in the seminar room. The next morning he showed Mancur a fully developed, elegant, mathematical statement of Olson's idea; the rest is "history."

The resulting Olson-Zeckhauser paper, "An Economic Theory of Alliances," *Review of Economics and Statistics*, [1966] virtually created a cottage industry for economists and political scientists. Because the analytic set-up was so lucid it pro-

vided a short course in Olson's major opus, *The Logic of Collective Action* (more of which presently), and underlay the important subsequent advances by economic theorists on the equilibrium behavior of voluntary provision of a public good within a group. And because it made so stark a prediction from the hypothesis that nations in their resource allocation behaviors could be represented as utility maximizing "individuals"—i.e. prediction of the "exploitation of the great by the small"—the paper was ready-made for political scientists, sociologists, actually social scientists of every stripe.

I chose "An Economic Theory of Alliances" first because its impact among economists was immediate and sensational. In fact, however, that paper is derivative from Mancur's thesis, *The Logic of Collective Action: Public Goods and The Theory of Groups*—only one of many many ideas, suggested problems, suggested solutions to problems to stem from that work. This book, being in the vanguard of the development of Public Choice and Social Choice as fields within economics, took root as a classic over a much longer period of time. Although Mancur's thesis now is a standard reference in every undergraduate and graduate texts in Introductory Econometrics, *Price Theory*, Macroeconomics, Public Finance, Labor Economics, International Trade, Public Choice, and Welfare Economics, at the time of its appearance it was slow to achieve acceptance among economists. Why was that? One reason is that the subject is hugely complex: one sees from the footnotes that Olson understood many of the crucial dimensions along which analysis of voluntary provision of public goods must be pursued: (1) the size of group, (2) disparities in income and preferences among group members, (3) openness or closedness of the group—which he called "inclusive" or "exclusive," (4) the fashion in which individual contributions are settled, involving such issues as sequence of allocative moves, possibility of re-contracting, bargaining, commitment, and repetition, (5) the effect of joint provision or tying of a private good to a public good limited to members of the group which thereby holds the membership captive—issues we now call impurities or imperfections in publicness. Olson lumped all these facets of "collective goods" together, drawing on distinctions as required to make his points. So, for example, sometimes a "collective good" would be a pure "Samuelson" public good, other times not. Only as professional economists rigorously explored more and more of these facets individually, their continued reference to *The Logic of Collective Action* compounded, and its status and prestige became common wisdom.

In addition, Mancur intuited the vast universe of non-market behavior which existed within this structure of collective action: (1) families, and small societies of all kinds, (2) labor unions, and other economic and political pressure groups, (3) bureaucracies, teams, and partnerships, (4) nations and groups of nations, (5) multinational bodies, and (6) societal and historical classes of the widest possible sweep. He desired to communicate with sociologists, political philosophers, and political activists with their own huge literatures and ongoing discourse (in fact, to communicate with anyone who would listen to his ideas and give him feedback, however challenging or even harsh). And he was phenomenally successful in extending his dialogue to them. But this was the beginning of the Public Choice and Social Choice movements within economics and many economists were not convinced—for methodological reasons or political reasons.
Another cause for the slow start I believe is that while Olson possessed a subtle understanding of the structure of economic behavior of individuals within groups, much of the technical apparatus by which we now pursue his argument was not available to him. Consider for example his idea of “The Exploitation of the Great by the Small,” within a closed group of specific membership, which provides itself with a pure, non-rival, non-excludable public good by strictly voluntary contribution. Other things equal, the idea is that richer individuals will contribute a greater proportion of their wealth to the public good than will poorer members of the group. Olson conjectured this result on the basis of substitution effects alone. Analyses such as those of Warr [1986?] and of Bergstrom, Blume, and Varian [1986?] — unavailable to Olson in 1960-63 — show how income effects necessarily imply this result when preferences are identical among group members. Despite these technical limitations on the work, it continues to be hugely referenced.7

In the historical record Olson’s thesis is secure — a defining work in the emerging discipline of Public Choice by one of its founders. But the Mancur Olson who departed Princeton in 1957 was, in the summer of 1951, an under-appreciated if incipient classic. He had accepted tenure at Maryland, but first a detour into the Department of Health Education and Welfare (HEW) as Deputy Assistant Secretary to Bill Gorham. The Council of Economic Advisers and its annual Economic Report of the President — so widely admired — caused HEW to propose an annual Social Report of the President, and Gorham wanted Olson to write it.16

A second trait typical of Mancur was a use of dialogue to identify analyzable problems and to build his own conceptions of their solutions. If ever there was an economist who valued being “approximately right” over being “exactly wrong” it was Olson. And as such he was quite fearless in putting out ideas — which might be tentative — and learning from objections and criticisms.20 He always listened. I never saw him give a paper without taking detailed notes of the criticisms. Moreover, possibly as a result of his style of dialogue, he was extraordinarily concerned with literate and above all memorable characterizations of his ideas.17 I observed Olson’s more mature work, The Rise and Decline of Nations — RADON as he liked to call it — grow out of just such dialogue, a life of voracious reading,21 punishing travel, and always dialogue. One day in the mid-1970s, early in his musings he suggested over lunch at Maryland that both a perfectly competitive laissez-faire society, and a perfectly managed socialist society would be exempt from the rent-seeking efficiency distortions of pressure groups. This seemed to imply that at some point along the spectrum the damages would be greatest. The suggestion drew forth much criticism and disagreement around the lunch table. Thus was born the notion of “encompassing groups” which played so important a part in the book then in early draft, an idea which animated much of Mancur’s future analyses of economic evolution and the failures of socialism.23 An “encompassing group” internalizes in its own decision calculus a portion of the costs and benefits its actions impose upon the economy in which it is embedded. If a group is completely or perfectly encompassing, it will include calculation of all the benefits and costs its actions impose on the entire economy, and thus will impose no distortions on the economy; instead in this case it will perfectly represent or reflect the economic interests of everyone. However, if a group is only partially or
Personally I think that one of his last papers published two years before his death may well serve as a fitting epitaph. This is his "Big Bills Left on the Sidewalk: Why Some Nations are Rich, and Others Poor," Distinguished Lecture on Economics in Government," Journal of Economic Perspectives (Spring 1996). The paper is vintage Olson. It shows his passion and concern for the practical consequences of economics, his belief that good policy is within the grasp of the most backward and floundering societies, and above all the responsibility of economists to wise up, and reverse the damages of economic quackery and self-serving mischief.

In the mid 1980s Mancur told me he thought that macro-economics was far more important than micro-economics. "Why," I asked. "Because all the truly important discoveries which will have an effect upon people are to be made in macro," he answered. "The really big problems are macro." 26 He was using "macro-economics" with its conventional meaning: the larger national and international economy-wide issues of employment, income and prices, growth and stability. I was struck by this insight. I had been attracted to economics by the precision, power, and beauty of micro and by the issues which it addressed of resource allocation and efficiency, prices and markets, equilibrium and distribution. I had always located Mancur Olson and his work squarely in the micro tradition, and I imagine most others would do the same. 27 But here was a Master of economic craft and discovery declaring macro-economics the continent for richest future expedition. Yet with a little less technical, more common-sense definition of "macro," who would dispute that Mancur’s vision of economics embraced the largest scale and scope? His ambitions for the explanatory power of economics extended from the decision framework of individual families to the grand evolution of entire societies and systems of nations. He showed us how elemental economic concepts can illuminate political behavior, structure, and evolution — "political" in the widest sense. He showed us how political behavior conditions the economy on which it depends and which it attempts to dominate — often with unhappy economic results. The core signal idea, central to his grasp of this interdependence, is that of "collective action." Mancur’s most striking legacy is the illumination he bequeaths of how groups and organizations behave economically — a legacy created through his own tenacious pursuit of the logic of collective action.

The forty-two years of Mancur Olson’s scholarly life were devoted to an inspiring pursuit of his vision of "macro." His ideas may occupy the core of macroeconomics fifty or one hundred years from now, or they may signify only one strand, but surely they will be present and influential in all future study of economics, of society and of interactions between them. Here in 1998, we don’t know. But we do know that economists, political scientists, sociologists, and whatever other new discipline emerges in social science will be studying Mancur Olson’s ideas and learning from his insights — valuing the Collective Good which his life’s work has left to all.
20. One tactic I observed often was to state a hypothesis, then ask the listener to prove what was wrong with it. (Just how he got away with this I never quite understood.) If proved wrong, he would invariably incorporate the correction in his own thoughts. But proving an opinion commonplace was no easy task. His prose statement might be incorrect, but the underpinning of truth or wisdom was there more often than not.

21. The importance of language in Olson's life, mentality, and work is clear from his struggles to find the best explanation of his ideas. Although he made greatful expression appear easy, in fact he required large efforts into finding the best turn of phrase. Mannor was raised on a farm in North Dakota. When he was a child, he heard him say, his father gave him a pony and cart for his birthday—seventh or eighth. He loved driving that cart around the yard, but before this was allowed he had to learn the names of all the partpieces of the harness, bridles, etc. Before you can do something properly such as care for your pony, you must know the words to describe it, as or thought Mannor's father, and Mannor too.

22. Mannor's devotion to marketing a memorable turn of phrase should never be underestimated. In his file he co-organized a discussion group "TRIPS" (Washington Area Forum on Economic Reform), since his 60th birthday "IRS" (Institutional Reform and the Informal Sector). Throughout his career he labored tirelessly for professional adoption of his terminology: "exclusive groups," "recompensing interests," "exploitation of the great by the small," etc.

In 1991 at a conference in Cambridge, Mass, to honor Thomas Schelling, Mannor introduced the argument that institutions of governance can be idealized as existing at various points along a spectrum between pure autocracy and pure utopia. To develop the essence of the concept, he elaborated on a simple story from Banffichi The Moral Basis of a Backward Society—a story of the King of a province as its economic owner. Olson's King started off as a running bandit; when he settled down as a monarch he had changed little: merely became a "stationary bandit." Although many at the conference would forget the details of Mannor's argument, few would forget the story of the King nor the memorable "stationary bandit." See "Autocracy, Democracy, and Prosperity," in Richard Zeckehamer, ed. Strategy and Choice (Cambridge, MA, MIT, 1991).

23. To see a book Mannor had read was to see one devoured, and sworn with black ink marks and scuffles.

24. The idea played an important part in my further collaboration with him in the 1990s—collaboration which led to our journal of Economic Literature (1996) paper.

25. Manoor was not one simply to dash off a clever technical article. But he brought to his technical endeavors the same lavish expenditures of effort on communication that he brought to grander visions. He and I started a rule of offices and the collaboration of the same marvelous secretary, Alice McKee, so I saw this during the years RADS was written. I especially remember two parts: (1) "The Marginal Utility of Income Does Not Increase: Borrowing, Lending, and Friedman-Savage equations," (with Martin J. Bailey and Paul Wonnacott) American Economic Review (June 1969, 572-373); and (2) "Positive Time Preferences," (with Martin J. Bailey) Journal of Political Economy, (February 1961, 1-28). How many "final" drafts were produced only Adams would know, but dozens for sure.

26. Earlier he had been elected President of the Southern Economic Association, and of the Public Choice Society, and leader of the Eastern Economic Association.

27. University College claims to be the oldest of Oxford University's thirty plus colleges and societies. Other than its honorary fellows from this side of the Atlantic include Army General Bernard Rogers former NATO Supreme Allied Commander, seven in order of election to Olson, and President William Clinton, nine in order of election to Olson. At the years went by, Mannor seemed to me to become ever so slightly Daniels, his posture and gait, manner of speech with its weighty pauses, the ever so slight formality of dress, and the finish of his signature. Was this chain reaction?

28. Of course, sheer energy too is essential, and commitment. Mannor was always working, talking, operating. No long wars for Mannor. These ended in Oxford.

REFERENCES

Citations to Others:


1959 Free Trade in Corn: A Statistical Study of the Prices and Production of Wheat in Great Britain from 1873 to 1914. (with Curtis C. Harris, Jr.) Quarterly Journal of Economics, February, 142-69.
Mancur Olson's untimely death represents, for me, both a personal and a professional loss. My recollections are replete with evidence of his energy, tenacity, and warmth. I thought of him a friend for nearly half my life. Inevitably, it is difficult, from a distance, to accept the knowledge that he will not hold forth, in his distinctive manner, at the next professional meeting I attend.

As we all know, creativity, insight, and originality, applied to the complex realities of intellectual and social issues, tends to be very rare in our discipline as in others. Mancur Olson's work is deserving of such praise. Few of cant and to the point, it will stand out, perhaps even more than during his lifetime, generations after his death.

Mancur's many offices, and honors, included the presidency of the Eastern Economic Association, which sponsors this Journal. This led me to reflect, with some care, how we might best memorialize him, honoring his accomplishments and his life, in this Journal. I am, therefore, particularly pleased that Martin McGuire, Mancur's close friend and, through most of his academic career, his colleague at the University of Maryland, consented to author the tribute that appears, immediately preceding, in this issue. This could not have been an easy task, least of all emotionally, and we are grateful to Professor McGuire for undertaking it.

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TEMPORARY EMPLOYMENT DECISIONS
OF REGISTERED NURSES

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INTRODUCTION

Temporary employment of skilled workers is an issue of increasing importance as more of the United States labor force finds employment through temporary help services. The trend is expected to continue, with further increases over the next ten years. The rapid growth in temporary employment has been met with a recent flurry of research. Laird and Williams (1996), using time-series data from 1982-92, found the major demand-side reason for the increase was heightened foreign competition, while the major supply-side reason was the increase in participation of married women. Golden (1996) examined the 1982-92 increase to determine whether demand or supply-side factors were more responsible. In a test of competing explanations, the author found more support for demand-side than supply-side factors — employer labor input preferences were more influential than worker preferences. Golden came up with results similar to Laird and Williams (1996) — specifically, heightened foreign competition and increased fluctuation in industrial output on the demand-side and greater participation of married women on the supply-side.

Levenson (1996) examined part-time employment over 1964-93. After finding no upward trend since 1984, he concluded that the belief that there has been a fundamental shift toward part-time employment may have been due to confusion over part-time and temporary employment — which has increased greatly since 1984. Lee (1996) believes the increase can be explained by the deregulation of labor markets which has increased the cost of employing permanent workers relative to temporary ones. Caheney (1996) provided a short but informative overview — including a brief history of the industry, an explanation of typical work arrangements, a demographic breakdown of the population, and a breakdown of the industries and positions involved (mainly clerical and machine operator).

But despite the flurry of recent research activity, very little econometric research has been done on this topic. Not much is known, for example, about the similarities and differences in the characteristics of permanent and temporary workers within a labor market. This is particularly true for women. This study of the nurse labor force provides some valuable information on both counts. Women comprise 97 percent of a profession which, like the economy in general, has seen temporary employment increase substantially over the past fifteen years.

Using the 1990 Biennial Survey of Illinois Registered Nurses, the analysis identifies factors which influence the decision to work for a temporary agency and deter-