able contracts, offer an increased prospect of achieving this marginal flexibility.

Government Should Foster Competition

Public employee unions will no doubt offer many reasons why government services, including imprisonment of criminal offenders, are best handled by civil servants under direct employment and administrative management by the state. They may be correct, much of the time, in this assertion, but they should be made to uphold their claim in open competition. No longer should they be permitted to foreclose the question through monopolization by fiat.

Competition is as important to the processes of government as it is to those of private enterprise. As a mechanism of evaluation, accountability, and control, it is unmatched. How do we know—and how can we be sure—that the government is running our prisons in the most just, humane, effective, and efficient manner possible? A very good test is to see whether private enterprise can do it better.

Competitive private contracting introduces a market test of price that is absent under governmental monopoly, and it provides a new basis for comparison of all programs, both public and private, on dimensions other than cost. Many of the component activities of the penal system are already subject to competition among private vendors. Why not do the same for the administration of entire prisons? The ultimate legal authority for imprisonment must, by definition, remain in the hands of government, which means that a high degree of regulation will always be necessary. With that proviso, however, rigid legal obstacles to the private administration of prisons should be removed.

—FOOTNOTES—

[1]Information on the programs described below comes from the following sources: Kevin Krajick, "Punishment for Profit" *Across the Board,* 21, March 1984, pp. 20–27; Kevin Krajick, "Prisons for Profit: the Private Alternative" *State Legislatures,* 10, April 1984, pp. 9–14; Philip E. Fixler, Jr., "Behind Bars We Find an Enterprise Zone" *The Wall Street Journal,* November 29, 1984, p. 34; *The Hartford Courant,* April 1, 1984; *The Philadelphia Inquirer* April 16, 1984; and telephone inquiries.

[2]Cited in Krajick, "Punishment for Profit."

[3]For an extended list of *a priori* arguments both for and against privatization of public services generally, see E. S. Savas, *Privatizing the Public Sector: How to Shrink Government* (Chatham, N.J.: Chatham House Publishers, 1982), pp. 89–91.

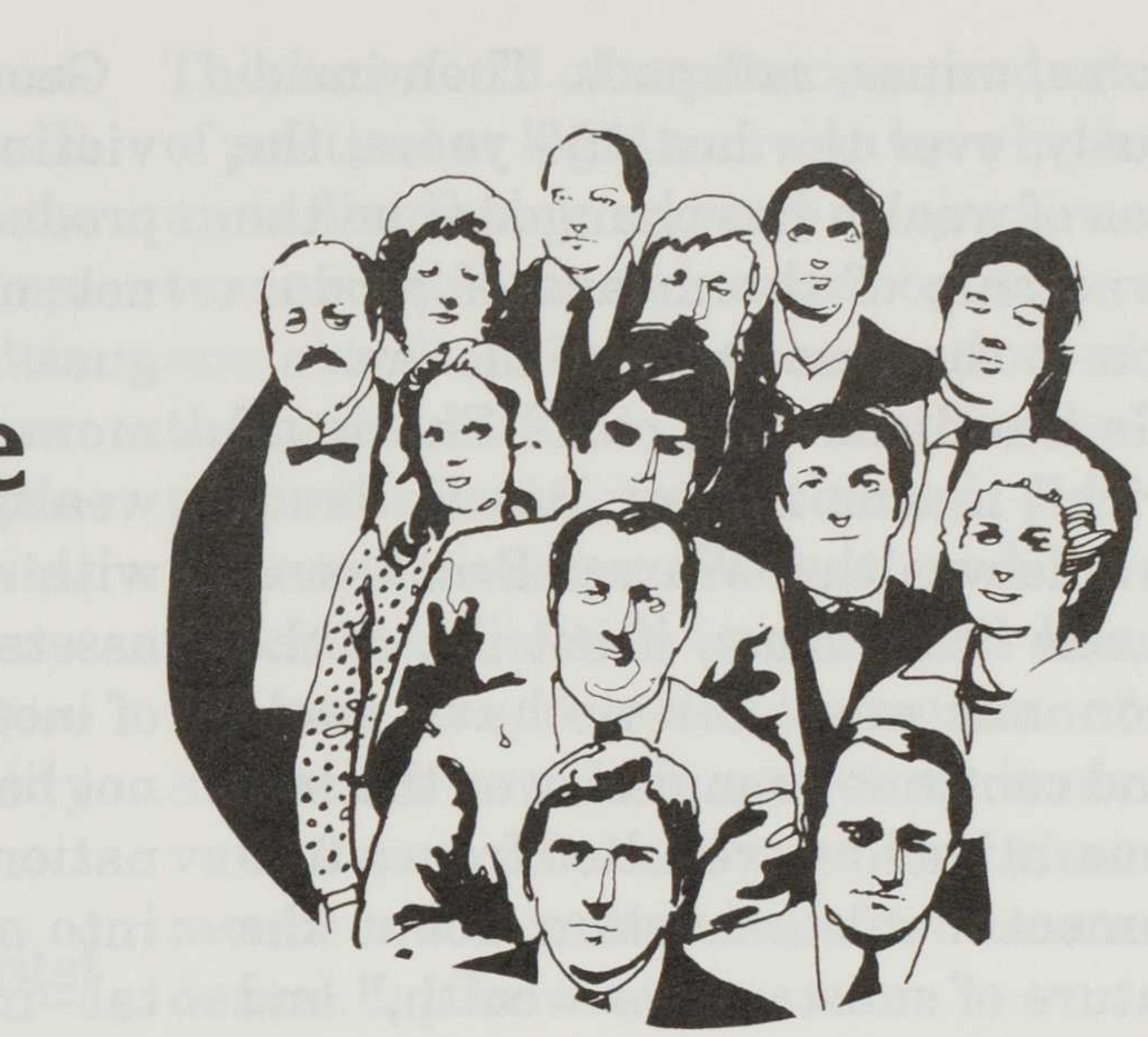
[4]*Ibid.,* pp. 93–111.

[5]Robert W. Poole, Jr., "Objections to Privatization" *Policy Review,* 24, Spring 1984, p. 107.

[6]Cited in Krajick, "Punishment for Profit."

Charles Dykes

The Ultimate Source of Wealth



"Is Saudi Arabia rich? Is Mecca Muslim? one might respond."[1] With this seemingly trivial question, George Gilder introduces a subject of profound importance: *the nature of wealth.* And when Gilder points to history as showing that "the most prosperous countries—from Phoenicia to Venice, from England to Japan, from Hong Kong to Singapore—have been domains rich not in 'natural resources' but in human freedom and rights to property,"[2] he opens up an even more profound matter: *the source of wealth.*

What, then is "wealth"? For the economist, wealth is anything having economic value measurable in price. For most people, wealth means great amounts of worldly possessions. For nearly everyone, wealth is synonymous with money.

From the perspective of history, however, it is instructive to note that money has not always been the chief symbol of wealth as it is today. The concept of wealth has varied in different periods of history. For example, wealth in the medieval era was not thought of primarily as the possession of large amounts of money or material possessions, but in having power over other people. Still later, wealth came to mean the ownership of large tracts of land and great houses.

The Industrial Revolution again transformed the idea of wealth. Wealth no longer was viewed primarily as the possession of landed property, but the ownership of the means of production—e.g., factories,

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