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## How Did We Get Here? Where Are We Going?

**T**he millennial record seems simple enough. From a world of great and little empires and kingdoms, more or less equal in wealth and power, we have become a world of nation-states, some far richer and stronger than others. From hundreds of millions of people, we have become 6 billion and counting. From working with modest if ingenious tools and techniques, we have become masters of great machines and invisible forces. Putting aside magic and superstition, we have passed from tinkering and intelligent observation to a huge and growing corpus of scientific knowledge that generates a continuing flow of useful applications.\*

Most of this is to the good, although intellectual and material power has often been abused to evil and destructive ends. Or just simply used, with unintended but nefarious consequences.<sup>1</sup> We suffer from the asymmetry between our knowledge of nature and our knowledge of

\* I am reminded that superstition and magic are not dead; and some would argue that religious faith is part of this package. No doubt, because weak mortals that we are, we look for comfort where it is to be found. Even scientists and technicians are vulnerable, for science and reason are tough companions. Nonetheless, illusions, delusions, and faith are excluded in principle and practice from inquiry and discovery.

man, between outside awareness and self-ignorance. Still, few people would prefer a return to earlier times. Those who secede from the rich material world to find spiritual renewal in nature may leave their watches behind. But they take books, eyeglasses, and manufactured clothing; also sometimes CD players; and they usually know enough to get medical help when they need it.

Note that my assumption of the ultimate advantage and beneficence of scientific knowledge and technological capability is today under sharp attack, even in the Academy. The reasons for this reaction, often couched in preferences for *feeling* over *knowing*, range from disappointment at Paradise Unfound to fear and resentment by laymen of unknowable knowledge.<sup>2</sup> Some of the anti's are millenarians: they look to an apocalyptic revolution to right wrongs and generalize happiness. Marxian Socialists and Communists, for all their lip service to science, fall in this category. Others are nostalgics, harking back to the mythic blessings of stateless, communal, primitive societies. The first group well illustrates the human limits of good intentions. The second is pissing into the wind. That is not where the world is going.\*

Until very recently, over the thousand and more years of this process that most people look upon as progress, the key factor—the driving force—has been Western civilization and its dissemination: the knowledge, the techniques, the political and social ideologies, for better or worse. This dissemination flows partly from Western dominion, for knowledge and know-how equal power; partly from Western teaching; and partly from emulation. Diffusion has been uneven, and much Western example has been rejected by people who see it as an aggression.

Today, the very account of this story is seen by some as an aggression. In a world of relativistic values and moral equality, the very idea of a West-centered (Eurocentric) global history is denounced as arrogant and oppressive. It is intended, we are told, “to justify Western domination over the East by pointing to European superiority.”<sup>3</sup> What we should have instead is a multicultural, globalist, egalitarian history that tells something (preferably something good) about everybody. The European contribution—no more or less than the invention and

\* This approach has found adepts in anthropology, which is confronted by the dilemma of its traditional subject matter: to cherish and preserve as in a gel; or to study and, so doing, promote the alteration and disappearance of the subject. On the virtues of the primitive, see Diamond, *In Search of the Primitive*; also Jordan, “Flight from Modernity.”

definition of modernity—should be seen as accidental or, to use the modish word, contingent.

We have seen examples of this Europhobia in recent discussions of the age of voyages and discovery. The Chinese, we are told, might have (should have) found the Americas. Or the Japanese, or Africans. Maybe they did. Europe was just lucky. Or, in an angry variant, the Europeans were not lucky. They were nasty and vicious. They stole the silver of the New World, used it to pay for empire and trade in Asia, beat up more cultivated peoples, and then praised themselves for their wealth, technical achievements, civilizing mission, and spirituality.

Above all, say the globalists, we must not account for European priority by “essentializing” it, that is, by tying it to European institutions and civilization—explaining it by European “presences” as against non-European “absences.” Thus the manifest asymmetry between Europe’s systematic curiosity about foreign civilizations and cultures and the relative indifference of these “others” is denied a priori by apologists who unknowingly reaffirm the contrast.<sup>4</sup> The point, say some globalists, is that *there is nothing to explain*. Or, if one prefers, one can “problematize” both European and non-European history by including what did not happen: “failed struggles as well as successful ones are all part of history.”<sup>5</sup> To be sure, attention to failure is open to the charge of biased negativism: who says non-Europeans had to pursue goals similar to those of the West?

This line of anti-Eurocentric thought is simply anti-intellectual; also contrary to fact. But how popular, especially among those allegedly chauvinist Westerners. The new globalists, not liking the message, want to kill the messenger—as though history hadn’t happened. The fact of Western technological precedence is there.\* We should want to know why, all of us, because the *why* may help us understand today and anticipate tomorrow.<sup>6</sup>

Historians like to look back, not ahead. They try to understand and explain the record. Economists also want to know the past, but believe what they know about it only insofar as it accords with theory and logic; and since they have the assurance of basic principles, they are less averse to telling a future shaped by rationality. To be sure, economists

\* Some would argue (thus A. G. Frank) that Europe’s knowledge and know-how did not surpass those of other civilizations until the Industrial Revolution, say, around 1800—as though European dominion were an accident and the Industrial Revolution an illumination. Bad history.

recognize the possibility of accident and unreason, but these can in the long run only delay the logically inevitable. Reason will triumph because reason pays. More is better, and in choosing goals, material achievement is the best argument.

So, whereas historians are agnostics about the future, hence virtual pessimists, economists and business people tend to be optimists.<sup>7</sup> Optimism has to do, above all, with increase of wealth, what Adam Smith called “the natural progress of opulence.” Even for the poor: “In almost any way you care to measure, life is getting better for people in developing nations.”<sup>8</sup> Also longer; and these data on life expectancy should settle the issue. In the same way, poor people are *on average* better off. Not fewer; but better off. Economists now opine that the world will continue to get richer, that the poor will catch up with the rich, that islands of growth will become continents, that knowledge can solve problems and overcome material and social difficulties along the way.\* So it was, and so shall be.

Economists have not always felt this way.† Adam Smith’s successors anticipated stagnation: Malthus, with his inexorable press of people on food supply; Ricardo, with his “stationary state” as land and rent soaked up the surplus; Jevons, with his bogey of fuel exhaustion. In those times, economics wore the sobriquet of “the dismal science.” Subsequent progress has allayed these fears, although some see the Malthusian doom as only postponed.\*\*

Meanwhile a new rider joins the horsemen of the apocalypse: eco-

\* Islands of growth: not everyone is enthralled. Paul Kennedy asks in *Preparing for the Twenty-first Century*: “How comfortable would it be to have islands of prosperity in a sea of poverty?” Rifkin, *End of Work*, is comparably scandalized by the contrasts of rich and poor. If that’s the way it’s going to be, we should move on to a “post-market society,” whatever that is. Cf. Mount, “No End in Sight.” What with the proliferating succession of post-this and post-that, we may soon see post-post and post-post-post.

† Smith does give some credence to limits, for he speaks of a country “which had acquired that full complement of riches which the nature of its soil and climate, and its situation with respect to other countries, allowed it to acquire; which could, therefore, advance no further”—*Wealth of Nations*, Book I, ch. 9: “Of the Profits of Stock.” But he treats this as a distant prospect, “perhaps” not as yet experienced, and adverts to the opportunities for transcending these limits with better “laws and institutions.”

\*\* Thanks to botanical research and the invention of “miracle rice,” the world rice harvest nearly doubled from 1967 to 1992. India had its “Green Revolution.” Now population is once again pressing on supply, and the International Rice Research Institute promises a “super rice” that will yield 20 to 25 percent more—Seth Mydans, “Scientists Developing ‘Super Rice’ to Feed Asia,” *N.Y. Times*, 6 April 1997, p. A-9. Will that be enough? And what about Africa?

logical disaster. We no longer have to worry about the exhaustion of this or that resource; technology will find substitutes.<sup>9</sup> But we do have to attend to the serious, progressive, and possibly irremediable damage we are inflicting on the environment. This threat to well-being ties directly to economic development, for waste, pollution, and environmental damage grow with wealth and output. *Other things equal, it is the rich who poison the earth.*

To be sure, the rich see the peril—at least some do—and their wealth permits them to spend on clean-up and dump their waste elsewhere.\* They also abound in good ecological advice to the new industrializers. These in turn are quick to point to the pollution perpetrated by today's rich countries in their growth period. Why should today's latecomers have to be careful? Besides, most developing countries are ready to pay the environmental price: wages and riches now; disease and death down the road. To be sure, no one has taken a poll, but this preference seems plausible. Young people—and developing countries are full of young people—think they'll live forever. Meanwhile who can confine pollution and disease? The rich are frightened, even if the poor are not. The rich have much more to lose.

If we learn anything from the history of economic development, it is that culture makes all the difference. (Here Max Weber was right on.) Witness the enterprise of expatriate minorities—the Chinese in East and Southeast Asia, Indians in East Africa, Lebanese in West Africa, Jews and Calvinists throughout much of Europe, and on and on. Yet culture, in the sense of the inner values and attitudes that guide a population, frightens scholars. It has a sulfuric odor of race and inheritance, an air of immutability. In thoughtful moments, economists and social scientists recognize that this is not true, and indeed salute examples of cultural change for the better while deploring changes for the worse. But applauding or deploring implies the passivity of the viewer—an inability to use knowledge to shape people and things. The technicians would rather do: change interest and exchange rates, free up trade, alter political institutions, manage. Besides, criticisms of culture cut

\* But not always, because nobody wants that stuff. On 7 May 1996 rioters in Germany protested the return of radioactive wastes, German in origin, sent to France for processing and then brought back to Germany for presumably safe storage. The Germans spent millions of dollars to contain the angry crowds. That is why one economist recently proposed that rich nations dump unwanted wastes in such poor places as Africa—all that sand, and the Africans need the money. The very idea is symbolically unacceptable.

close to the ego, injure identity and self-esteem. Coming from outsiders, such animadversions, however tactful and indirect, stink of condescension. Benevolent improvers have learned to steer clear.

Besides, if culture does so much, why does it not work consistently? Economists are not alone in asking why some people—the Chinese, say—have long been so unproductive at home and yet so enterprising away. If culture matters, why didn't it change China? (It is doing so, now.) An economist friend, master of political-economic therapies, solves this paradox by denying any connection. Culture, he says, does not enable him to predict outcomes. I disagree. One could have foreseen the postwar economic success of Japan and Germany by taking account of culture. The same with South Korea vs. Turkey, Indonesia vs. Nigeria.

On the other hand, culture does not stand alone. Economic analysis cherishes the illusion that one good reason should be enough, but the determinants of complex processes are invariably plural and inter-related. Monocausal explanations will not work. The same values thwarted by “bad government” at home can find opportunity elsewhere. Hence the special success of emigrant enterprise. The ancient Greeks, as usual, had a word for it: these *metics*, alien residents, were the leaven of societies that sneered at crafts (hence the pejorative sense of “banausic”) and at money. So strangers found and sold the goods and made the money.

Meanwhile, because culture and economic performance are linked, changes in one will work back on the other. In Thailand, all good young men used to spend years undergoing a religious apprenticeship in Buddhist monasteries. This period of ripening was good for the spirit and soul; it also suited the somnolent pace of traditional economic activity and employment. That was then. Today, Thailand moves faster; commerce thrives; business calls. As a result, young men spiritualize for a few weeks—time enough to learn some prayers and rituals and get back to the real, material world. Time, which everyone knows is money, has changed in relative value. One could not have imposed this change, short of revolution. The Thais have voluntarily adjusted their priorities.

The Thai story illustrates culture's response to economic growth and opportunity. The reverse is also possible—culture may shift against enterprise. We have the Russian case, where seventy-five years of anti-market, antiprofit schooling and insider privilege have planted and frozen anti-entrepreneurial attitudes. Even after the regime has fallen—people fear the uncertainties of the market and yearn for the safe te-

dium of state employment. Or for equality in poverty. As the Russian joke has it, peasant Ivan is jealous of neighbor Boris, because Boris has a goat. A fairy comes along and offers Ivan a single wish. What does he wish for? That Boris's goat should drop dead.

Fortunately, not all Russians think that way. The collapse of Marxist prohibitions and inhibitions has led to a rush of business activity, the best of it linked to inside deals, some of it criminal, much of it the work of non-Russian minorities (Armenians, Georgians, *et al.*). The leaven is there, and often that suffices: the initiative of an enterprising, different few. In the meantime, old habits remain, corruption and crime are rampant, culture war rages, elections hang on these issues, and the outcome is not certain.\*

*Convergence* is the watchword of the day, the promise of eventual equality, of the generalization of prosperity, health, and happiness. That, at any rate, is what economic theory tells us, assuming mobility of the factors of production.

Experience is another matter. The numbers for the small set of advanced industrial countries seem to confirm convergence, but individual countries do not always stay with the pack. Will Japan continue to pull ahead? Will the United Kingdom continue to fall behind, or is this decade's good news the promise of tomorrow? Will this be the East Asian century? And what about the United States? Americans should remember the refusal of the British to face up to their troubles before they too let themselves be soothed by optimistic prognoses. That's the weakness of futurism: the soothsayers do not hang around to take responsibility for their errors. Even if they do, no one notices them any more; and they themselves remember only the good guesses. (Besides, remember the basic law: I was right when I said it.)

Meanwhile advanced and backward, rich and poor do not seem to be growing closer. Optimistic number-crunchers point to overall mini-convergence, but they put Asia with the poor, and only the special success of East Asia yields this optical illusion. Africa and the Middle East are still going nowhere. Latin America is doing a mixed job, mixed over time and space. The former Socialist bloc is in transition: some countries are doing well; others, particularly the former Soviet Union, swing in high uncertainty.

\* Russia is not a safe place to do business. Cf. Remnick, *Lenin's Tomb and Resurrection*. Ukraine may well be worse. Cf. R. Bonner, "Ukraine Staggers on Path to the Free Market," *N.Y. Times*, 9 April 1997, p. A-3.

And what about contingency and mess? So many things to go wrong—war, revolution, natural disaster, bad government, crime, antiproduktive ideology. Many success stories seem brittle, dependent on the political status quo. Every day's newspaper brings messages of hope: India is changing and beginning to encourage foreign investment; peace and order "take root" in Sierra Leone; after years of internecine strife, Argentina is coming back; Russia bubbles with new enterprise as Pepsi-Cola plans new investments. Can one take these happy turns as definite? Every other day, the same newspaper brings its warnings of trouble and reversal.

The British colony of Hong Kong is perhaps the best example of wobbling uncertainty. It went back to China on 1 July 1997. The returns are not yet in. China may choose to cherish it; or it may decide to force it into line with the mainland economy. To be sure, it seems improbable that China would kill the goose that lays so many golden eggs. But how important are Hong Kong's eggs in the larger Chinese picture? Besides, history has known similar irrationalities, and China has a history of sacrificing trade to imperial principle. Meanwhile Hong Kong business families have taken their precautions, both ways—to stay or to go. They have taken up citizenship in safer havens (some 600,000 of them hold foreign passports).<sup>10</sup> They are also learning to speak Mandarin as well as their native Cantonese and replacing Western executives with Chinese.<sup>11</sup> A rational "minimax" strategy: minimize maximum potential loss.

Do globalization and convergence signal the end of national striving? Does the very idea of international economic competitiveness no longer make sense? The economist Paul Krugman would say so: the "views [of those who call for a national economics] are based on a failure to understand even the simplest economic facts and concepts."<sup>12</sup>

Peremptory and dismissive, and yet the proponents of state intervention have not surrendered. We are talking here of two goals, power and wealth; and two ideals, distributive justice and impersonal efficiency. All of these hang together. Each has its own appeal, constituency, and justification.

Even within the economics profession, opinions differ. The neoclassicists say no: for them, no signals more reliable than market signals. They follow here in the steps of the great master: "Great nations are never impoverished by private, though they sometimes are by public prodigality and misconduct. The whole, or almost the whole public revenue, is in most countries employed in maintaining unproductive

hands.”<sup>13</sup> Adam Smith worried that these place servers might consume the produce needed to sustain the productive members of the society. (There are countries like that.)

Yet Adam Smith also understood that the state can (will) do some things—defense, police—better than private enterprise. In Ottoman Turkey, firefighting was in the hand of private companies, who came running when the alarm sounded. They competed with one another and negotiated price with house owners on the spot. As the negotiation proceeded, the fire burned higher and the stakes diminished. Or spread. Neighbors had an interest in contributing to the pot. ’Twixt meanness and greed, many a house fire turned into mass conflagration.

The issue presses in those countries where enterprise is wanting. In a world of rapid change and international competition, can society afford to wait for private initiative? Look at the role of the state in such exemplary countries as Korea, Taiwan, and even Japan: triggering, sheltering, and guiding nominally free market enterprise. To which the free marketeers make reply by recalling Pearl Harbor.

The record, then, is clearly mixed. State intervention is like the little girl who had a little curl right in the middle of her forehead: when she was good, she was very, very good; and when she was bad, she was horrid.

Besides, the state can be very useful as the servant of business. Officials have always been liable to temptation (bribes); that’s human nature. But the growth of private salaries and bonuses in expanding economies has inflated and accelerated this venalization of government and administration. Men of money can buy men of power. Presidents and prime ministers act as traveling salesmen and judge their success by deals closed and contracts signed. The British are talking of replacing the royal yacht with an even bigger vessel, the equivalent of a cruise ship for two, plus guests. This liner would cost hundreds of millions of pounds, and if experience be a guide, would eventually take more to run than to build—the more so as the very existence of such an expensive toy compels its use. (Royalty has no notion of the doctrine of sunk costs.) No matter. The ship’s proponents assure the British taxpayer that it will bring in trade. Meanwhile ideals yield to interest. China is behaving badly? The best way to straighten it out is to say nothing and do business. That may seem cynical; but it may be as good a cure as any for despotic irrationality.

The selection process goes on. Today’s search for cheap labor has moved jobs from rich countries to poor, or more precisely, to some

poor countries.<sup>14</sup> Happiness to some, deprivation to others. This mix of good news and bad is what economic change is all about. Economists and moralists applaud such transfers as rational, reflecting comparative advantage, hence reasonable and desirable. Why should employment for Malaysians and Mexicans be any less desirable than for Americans and Germans? Krugman again: “One might have expected everyone to welcome this change in the global landscape, to see the rapid improvement in the living standards of hundreds of millions of people, many of whom had previously been desperately poor, as progress—and as an unprecedented business opportunity.”<sup>15</sup>

No reason, except that job losers are unhappy and angry, and in advanced industrial nations, job losers vote. They also demonstrate and riot. The same observers who worry about the mistakes of “strategic” trade policy might focus instead on the risks and costs of conflict. A cool economist may argue that nations do not compete as corporations do; or that loss of export markets and jobs does not make that much difference to a rich country like the United States;<sup>16</sup> or that bars to imports will not promote productivity or raise the standard of living at home; or that loss of jobs in branches that are no longer “advantageous” will be compensated by the creation of other jobs in other areas. These reasonings and clevernesses will not help workers and unions intimidated by the threat of job emigration. Nor will they console someone who loses a place and must take something less satisfying and less well paid, or who is of that twilight age that makes the very idea of starting over impractical.<sup>17</sup>

How much more vexing are the sassy dismissals that tell the public to rejoice at the prospect of cheaper cars and TV sets, which they can no longer afford, and advise them to seek jobs growing soy beans or servicing bank accounts. This, remember, is a replay of the advice John Bowring gave the member states of the German Zollverein in 1840: grow wheat, and sell it to buy British manufactures. This was a sublime example of economic good sense; but Germany would have been the poorer for it. Today’s comparative advantage, we have seen, may not be tomorrow’s. Is protection legitimate only for infant industries? Are rich countries morally obliged to eschew the devices routinely adopted by developing countries? Proponents of dependency theory have long stressed the injustice of allegedly unequal trade between strong and weak, rich and poor. But asymmetry goes both ways.

These questions do not have simple, unambiguous answers. It is one thing to advocate an active government policy; quite another to take the right measures and carry them out. One thing seems clear to

me, however. The present tendency to global industrial diffusion will entail, for the richer countries, a leveling down of wages, increased inequality of incomes, and/or high levels of (transitional?) unemployment. No one has abrogated the law of supply and demand. Many, if not most, economists will disagree. They rely here on the sacred certainty of gains from trade for all. International competition, they tell us, is a positive-sum game: everyone benefits.

In the long run. This is not the place to attempt, in a few pages, a survey of the differences of opinion on this issue, which continues to generate a library of material.<sup>18</sup> I would simply argue here, from the historical record, that

- The gains from trade are unequal. As history has shown, some countries will do much better than others. The primary reason is that comparative advantage is not the same for all, and that some activities are more lucrative and productive than others. (A dollar is not a dollar is not a dollar.) They require and yield greater gains in knowledge and know-how, within and without.
- The export and import of jobs is not the same as trade in commodities. The two may be fungible in theory, but the human impact is very different.
- Comparative advantage is not fixed, and it can move for or against.
- It always helps to attend and respond to the market. But just because markets give signals does not mean that people will respond timely or well. Some people do this better than others, and culture can make all the difference.
- Some people find it easier and more agreeable to take than to make. This temptation marks all societies, and only moral training and vigilance can hold it in check.

Withal, I do not want to advocate any particular national policy, the less so as activist intervention can as easily make things worse as better. Each case must be judged on the merits, and governments are capable of as many mistakes, and bigger, than the businessmen who try to shape and play the market. (And vice versa. Much depends on what one is trying to maximize—wealth, equality, security, salvation, or what have you.)<sup>19</sup> I just want to say that the current pattern of technological diffusion and catch-up development will press hard on the haves, especially the individual victims of economic regrouping, while bringing “goodies” and hope to some of the have-nots, and despair, disappointment, and anger to many of the others.

To be sure, the rich, industrial countries can defend themselves (ease but not eliminate the pain) by remaining on the cutting edge of research, by moving into new and growing branches (creating new jobs), by learning from others, by finding the right niches, by cultivating and using ability and knowledge. They can go a long way on cruise control and safety nets, helping the losers to learn new skills, get new jobs, or just retire. Much will depend on their spirit of enterprise, their sense of identity and commitment to the common weal, their self-esteem, their ability to transmit these assets across the generations.

Meanwhile what about the poor, the backward, and the disadvantaged? After all, the rich industrial countries, however much pressed by the new competition, are so much better off that it is hard to work up concern and sympathy. With all their troubles, they have a continuing obligation, moral even more than prudential, to those less fortunate. Should they give for the sake of giving? Give only when it makes sense (pays) to give? Give, as bankers do, preferably to those who do not need help? Hard love, soft? Both? I ask these questions not because I know the answers (only true believers claim to know), but because one must be aware of the inextricable tangle of conflicting motives and contradictory effects. Navigation through these rapids demands constant adjustment and correction, the more difficult because policy is constrained by domestic politics.

And what of the poor themselves? History tells us that the most successful cures for poverty come from within. Foreign aid can help, but like windfall wealth, can also hurt. It can discourage effort and plant a crippling sense of incapacity. As the African saying has it, "The hand that receives is always under the one that gives."<sup>20</sup> No, what counts is work, thrift, honesty, patience, tenacity. To people haunted by misery and hunger, that may add up to selfish indifference. But at bottom, no empowerment is so effective as self-empowerment.

Some of this may sound like a collection of clichés—the sort of lessons one used to learn at home and in school when parents and teachers thought they had a mission to rear and elevate their children. Today, we condescend to such verities, dismiss them as platitudes. But why should wisdom be obsolete? To be sure, we are living in a dessert age. We want things to be sweet; too many of us work to live and live to be happy. Nothing wrong with that; it just does not promote high productivity. You want high productivity? Then you should live to work and get happiness as a by-product.

Not easy. The people who live to work are a small and fortunate elite. But it is an elite open to newcomers, self-selected, the kind of people

who accentuate the positive. In this world, the optimists have it, not because they are always right, but because they are positive. Even when wrong, they are positive, and that is the way of achievement, correction, improvement, and success. Educated, eyes-open optimism pays; pessimism can only offer the empty consolation of being right.

The one lesson that emerges is the need to keep trying. No miracles. No perfection. No millennium. No apocalypse. We must cultivate a skeptical faith, avoid dogma, listen and watch well, try to clarify and define ends, the better to choose means.

*. . . I have set before thee life and death, the blessing and the curse; therefore choose life.*

—Deuteronomy 30:19