By 1989, British Leyland (renamed Rover Group), the residual conglomerate of a generation of mergers (1936–68) that had just about swallowed the entire home industry, accounted for only 13.6 percent of domestic car sales. Had it not been for foreign transplants, including some Japanese factories using Britain as a springboard to the European Common Market, the British auto manufacture was headed for extinction. As it was, it now depended "on the financial resources, design and production technology, managerial methods, working practices and approaches to industrial relations" of American, French, and especially Japanese multinationals.[57]

The explanation for this sad calvary is, as always, multiple. Here is Sidney Pollard: "[In addition to government policy], other factors in the decline have been poor management, complacency, poor industrial relations, an over-fragmented industrial structure, unhelpful financial institutions and a relatively stagnant home market."[58] And the first of all was poor management—another way of saying poor entrepreneurship.

27

Winners and . . .

The twentieth century divides neatly at two points: 1914 and 1945. The first date marked the start of the so-called Great War—one of the most absurd conflicts in human history. These four years of combat left 10 million dead and many more maimed and stunted. They also took a prosperous and improving Europe and left it prostrate. The tragedy lay in the stupidity of kings, politicians, and generals who sought and misfought the conflict, and in the gullible vanity of people who thought war was a party—a kaleidoscope of handsome uniforms, masculine courage, feminine admiration, dress parades, and the lightheartedness of immortal youth.*

Colonial wars should have provided a warning, but the use of repeating and automatic weapons against "savages" left the confidence of the white man intact. Still, the Boer War in South Africa, where the British took terrible casualties, should have instilled a prudent fear. Not at all: a decade later, the havoc wrought by machine guns in Flan-

* On the arrogant stupidity of the generals, see the comments *passim* in Len Deighton, *Blood, Tears, and Folly.* Deighton is primarily a writer of adventure and spy novels, but he also does nonfiction, and when he does, he has the story right.

ders fields seems to have come as a great surprise. Obtuse commanders reckoned with impeccable logic that the army with the last troops standing and shooting would win. The generals got promotions, honors, and statues, usually on horseback. Their men died in the mud.

The losses of war were compounded by the blunders of peace. Perhaps that is unfair, and statesmen and diplomats were stuck with a legacy of hatred and revenge that left little room for reason. Could France be generous to Germany? In 1870, Germany invaded France, and after few casualties and no damage to its own territory, had used its victory to compel an extortionate indemnity. Now Germany had invaded France again, killing well over a million Frenchmen and wasting the richest industrial regions, pulling out as soon as the Allied armies threatened to move on to German land. Could France let them get away with that? How to calculate such losses? How much for vicious intentions? What if the Germans had won?

And what about the home fronts? The Germans did not surrender in 1918; they concluded an armistice. They had lost, but had not admitted defeat. German (and Austrian) malcontents and chauvinists cried betrayal: we were stabbed in the back. Villains were there for the marking—Jews to begin with, also socialists, and even better, the two together. Meanwhile tsarist Russia had collapsed, first into civil war and then into a Bolshevist regime that fomented in every country a festering conflict between revolution and status quo. The Soviet rulers may have settled momentarily for "revolution in one country," but agents abroad, working with local socialist parties, posed everywhere an implicit threat to property, hierarchy, and order.

The response, at the extreme, was fascism—a label of diverse content for a corporatist, status-conscious society under dictatorial rule. The political rhetoric of the day stressed the differences between socialism-communism on the far left, fascism on the far right. In fact, the extremes met and resembled each other: in their contempt for democracy, their pretense to virtue, their abhorrence of bourgeois values, their emphasis on state rather than market direction of the economy. Both sides would have rejected any thought of similarity; but the number of people who managed to slither from the one to the other testified to their compatibility.

To contemporaries, the year 1945 was one of triumph and defeat, of revelation and ruin, of relief and despair, of joy and sorrow. The war years had witnessed atrocities and cruelties beyond experience: 55 mil-

lion dead, 35 million wounded, 3 million lost; some 30 million civilian deaths, including 6 million European Jews. Some survivors consoled themselves with the hope that war had become unthinkable. Others nursed incurable wounds and insatiable grievances. Still others set about to make a better world.

These responses, often fused in the same person, sparked a diversity of objectives and means. The larger goals were the same: restoration and repair, material improvement, peace and happiness. Like motherhood—everyone was in favor. For all the idealistic consensus, however, the world after 1945 was riven by the rivalry between bourgeois, capitalist countries on the one hand, Socialist and Communist societies on the other. This conflict had slept during the war, permitting all to collaborate against a Germany gone berserk in the pursuit of racial "purity" and world dominion.

The reaction to the German threat had been slow and reluctant. How could the land of Goethe and Beethoven become a cesspool of savagery and a threat to all?* Also, after the folly of the Great War, what could possibly justify another conflict? Fatigue and fear engendered an unconditional tolerance for evil, so long as the victims were strangers and far away. Only when it became clear that Germany's appetite was growing with the eating, and when the Nazi-Soviet pact freed German's rear for aggression against the West, did the democratic governments face up to reality and declare war.

They did not do well; and once Germany had taken just about all of Continental western Europe, it turned eastward against the Soviet Union, which had slept with the devil and now felt his fangs. So democratic (capitalist) and socialist countries joined against the common enemy. The West poured in supplies, played Russian songs, romanticized "Uncle Joe" Stalin and the Red Army, fought a two-front war in the Atlantic and Pacific. Colonial troops helped their masters out. The Soviets did most of the dying: of a population of almost 200 million, more than one out of four was killed or wounded. (The Germans also lost heavily, but that's the price of trying to take over the world.) Meanwhile the Western Allies unwittingly provided shelter for Soviet spies, both insiders and outsiders. Military collaboration had not removed the underlying differences, and the Communist regime was determined to use the alliance to lay groundwork for postwar success.

* In fact, the German record of racism and group hate in the decades preceding the Nazi regime gave ample warning that this was a very sick society. See Weiss, *Ideology of Death*.

Even before World War II was over, the cold war between the two systems had begun, or, more accurately, had resumed.

In the decades that followed, Western market economies put the Great Depression and wartime losses behind them and entered a period of unprecedented growth. Much of this was due to pent-up technological innovation. France-1948, for example, after decades of economic standstill followed by war and occupation, was a tired version of France-1900. Paris, empty of vehicles, needed neither traffic lights nor one-way streets; all cars had to be garaged at night; gas stations hand-cranked the pumps. Many small flats and houses had electrical services as low as 3 ampères—enough for a light bulb, a radio, perhaps an electric iron; anything more would blow the fuse wire. (No ready-made, screw-in fuses. One bought wire of given resistance and wound it around the terminals.) Some Paris dwellings had no electricity, and it was common in apartment buildings to share the privies, inside for the lucky (rich) ones, in the courtyard for the others. (Try walking down and up again five or six flights every time you have serious business. As the French say, it's good for the legs—*ça fait les jambes.*) Rich people might have an indoor toilet for their own use, an outdoor privy for the servants; or running hot water for their own use but none for the kitchen. One whole department, the Lozère, admittedly a poor region, had three bathtubs in all—presumably one in the prefecture, another in the "Hôtel Moderne," and who knows where the third. Many places that had tubs used them to store firewood or debris. Refrigerators were little known; people used iceboxes and screened *garde-manger* (foodboxes). No point to a refrigerator unless one bought for several days at a time; no point to such shopping unless one could find all food needs in one place, and then only if one had a car to carry the comestibles home and an elevator in the apartment building to haul up the bags and bottles. The knee bone was connected to the shin bone, the shin bone to the ankle bone, the ankle bone to the foot bone, and France had not really entered the twentieth century.

In the next three decades—what came to be known as the *trente glorieuses* (the thirty wonderful years from 1945 to 1975)—France moved in with alacrity. New construction, new industrial installations, a new road network—new, new, new—all of this was an opportunity to install up-to-date facilities, to electrify and mechanize and motorize. The automobile and telephone told the story. Once seen as luxuries for the rich, they now became necessities. Whereas in 1953, only 8 percent of French workers owned a car, fourteen years later half of them did. From 1954 to 1970, households-with-auto rose from 22.5 to 56.8 percent. Streets filled with cars day and night; vehicles could be seen parked outside farms that, even after the war, had still relied on horses. Rush-hour traffic became a pain and worse, and cities like Paris began to measure air pollution and warn the citizens of unavoidable poisons. No one really cared; the freedom that came with mobility trumped all the rest. Besides, a society that could smoke *gauloises* could breathe anything.

Meanwhile the same people who had once sat for hours in a cafe waiting for a long-distance call to go through (and maybe drinking a little and playing cards; the *cafetier* had to make a living too), now began to have home telephones. They might have to wait a year or two to get their connection. Central switchboards were swamped, particularly in Paris, and the post office, which ran the telephone service, had little sympathy for this rival mode of communication. People renting apartments to foreign vistors made much of the fact that they already had a phone. But not only foreigners; telephones are addictive, and the French can talk with the best. In the end, P.T.T. (Postes, Telegraphs, Telephones) hived off the phone system and the government created France Telecom to deal with these matters—an indispensable first step to autonomy, initiative, and market responsiveness.

In all this, the French economy grew and changed under government direction and planning *(dirigisme, étatisme)*—much more than in other European countries. This accorded with national tradition, going back to the Colbertism of the Old Regime and relying heavily on the competitive recruitment of the best and brightest into the *grandes écoles*—Polytechnique, Mines, Normale; and now a new one: the Ecole Nationale d'Administration, ENA, with its graduating classes of fledgling bureaucrats and rulers-to-be—the *énarques,* as they quickly came to be called.

Government engineers and functionaries, with and without the cooperation of private enterprise, modernized the infrastructure: roads, railroads, communications, public housing, equipment. The results exceeded expectations, and France in some areas, such as high-speed rail service, set the pace for the rest of the world. Whether such developments were always profitable is not clear; state subsidies, manifest and discreet, obscure the realities of the market. But what a pleasure for the privileged railway passenger, especially one favored by discount ticket prices (state employees, for example), to ride some of the smoothest and fastest lines in the world! France never became a giant maker of standardized industrial products. The French typically bought household machines in Germany and Italy, and as income rose, the richer among them tended to buy their cars from Germany. But France remained the master of quality, making articles set above and apart by taste (in both senses) and beauty. And France, the country, remained one of the world's most beautiful places to visit, a work of natural and man-made art, a tourist paradise. By the 1990s France had one of the highest standards of living in the world, with income a quarter again as high as that of old rival Great Britain. The old staples had slumped; France did not learn to mass-produce the high-tech devices of the computer age. But wine and cheese and fabrics and fashions remained.

One sticking point, source of weakness as well as strength: the French are proud. They have their way of doing things and, unlike the British, do not take easily to loss of power. This makes them poor learners of foreign ways. They have their own way. Today, French workers enjoy a generous social safety net and excellent medical and child care, along with strong vested privileges (long paid vacations, early retirement). This, plus cultural advantages, makes France a marvelous country to grow old in. But it also makes employers slow to hire, because every hire is laden with associated costs and potential liabilities. The effect: a high unemployment rate that hits especially hard at the young. The state, concerned for social peace (how does one argue peaceably and reasonably with truckers who block major roads?), would preserve these social arrangements, fears to adulterate them, yet wants more jobs. Such countries as the United States, persuaded of the value of free markets and committed to survival of the fittest, shower the French with advice. The French reply: Get lost; we don't need any lessons from you. Especially not from you, with your crime, racial antagonisms, imperfect assimilation.

The German comeback was even more astonishing. The country had suffered heavy war damage, and much of what was left was seized by the Russians, who had good reason to make the losers pay for what they had destroyed and taken—but did not always know what to do with the machines and materials. Heaps were left to rust at roadside. Better junk than German. In 1945, Germans had stopped taking baths for lack of hot water or soap. Young women gave themselves to occupation troops for a pack of cigarettes. Bourgeois in coat and tie could be seen scavenging horse droppings to use as fuel.

These German hardships and humiliations elicited little sympathy. Some Allied experts called for the pastoralization of the country: no more industry. Others argued that if the country was to pay reparations, some industry was unavoidable—say, half the output of 1938. All such retributive projects fell before the imperatives of cold war: the

Western powers needed and wanted Germany. So, unlike the hard, if often futile, enforcement of reparations after World War I, this time the victors offered substantial aid to their defeated enemies. The prospect of Soviet aggression defined everything.

But one should credit above all the energy and work habits of the defeated Germans. In 1945 their currency was worthless. The only money that mattered was dollars or cigarettes, and American GI's, smokers or not, were entitled to a carton a week.* (I myself bought a Harley motorcycle, minus generator, for five cartons—strictly against the rules.) The years that followed were marked by hard winters, food and fuel shortages, endless cleanup of rubble, and political repair, if not retribution. And then in 1948 the new Germany issued a new currency, exchanging 1 deutsche Mark for 10 Reichsmark. Price controls came off, and hoarded stocks came out of hiding. The economy took off.[1] In twenty years, the deutsche Mark, along with the Swiss franc, became the strongest currency in Europe. New plants sprang up and German goods sold everywhere, enjoying a nonpareil reputation for solidity and design.

As spectacular as was the German "economic miracle," the Japanese one was even more so. Destruction and casualties from American bombing were horrific, in large part owing to flammable housing and the tenacious refusal of a proud country, never defeated in war, to acknowledge its situation. Toward the end, the Americans "owned" the skies and could attack at will. Even so, it took the atom bomb to persuade the emperor and many (but even then not all) of his advisers and military to surrender.[2]

The Japanese, like the Germans, built their recovery on work, education, determination. They too were helped by American financial assistance; here, as in Europe, the aim was to parry the perceived Russian threat. The rapidity of Japanese development was the more astonishing in that it took place without the advantages of empire. Prewar Japan had been convinced that control of raw materials was a *sine qua non* of power and wealth, indeed had gone to war to secure this control. Now they had lost everything and found to their surprise what the economists could have told them all along, namely, that raw materials can be delivered on competitive terms anywhere in the world. All it takes is money to buy them. If the Western powers were so difficult before the war, it was because Japan's militaristic policy invited precau-

* Other currency commodities were coffee and silk or nylon stockings, but these were clearly less convenient. Cf. Kindleberger, *Financial History,* p. 403.

tions and reprisals. Now the Japanese learned that they had more to gain by buying than by grabbing.

Their quickness stunned Japan's competitors. Some know-how came to them because producers in other countries hired Japanese firms to make objects (watches, auto parts) that the more advanced country could label and sell as its own. Much they copied by reverse engineering, taking Western models apart and learning to make them better. They also sent missions to visit Western lands and humbly learn by watching and asking, photographing and tape-recording. "Humbly" was the word: the Japanese are the proudest of people, but that very sense of pride raises humility to an art and a virtue. These bowing and hissing embassies were repeatedly astonished by the openness of their hosts, especially in the United States. But why not? The Americans thought they had little to fear from these defeated little people.[3]

Even more impressive was the Japanese ability to go beyond imitation and invent. A visit to a Japanese showroom is a look into the future: the objects look familiar, but they do new things. Their greatest success came in automobiles, an industry so voracious and varied in its appetite for materials and parts that it could act as locomotive to most of the manufacturing sector. Beyond that they set their eyes on the most advanced and demanding high-tech products: optical devices, precision machinery and instruments, robotics and electronics. Before the war, the Germans held a quasi-monopoly on high-quality cameras; names like Leica and Zeiss were legendary. At the end of the century, Leica is still there, but a good Leica camera costs three times as much as the Japanese equivalent. For rich aficionados, price does not matter. But for most users, including professional photographers, that kind of difference is prohibitive. Japan dominates the market, leaving niches to others.

All of this has been supported by the world's most effective quality controls. Before the war, Japanese goods were scorned as rubbish—shoddy, meretricious, unreliable—made for five-and-dime stores. That was partly a rational response to deep depression and sharply restricted demand. But now, in the growing affluence of postwar growth, the last had become first, and Japanese cars, cameras, TVs, and minicomputers set the industrial standard. How did they do it? Partly they were inspired by American example, in particular, the doctrine of W. Edwards Deming, who became an honored prophet far from his own land. But the idea alone would not have been enough. It was the Japanese ethic of collective responsibility—one simply does not let the side down—that made for effective teamwork, sharing of ideas between labor and

management, attention to detail so as to eliminate error (zero defects).

Competitors in older industrial nations woke up late and looked around for someone to blame—anyone but themselves. Their first excuse was that the Japanese were not playing fair, that they enjoyed access to foreign markets but refused to open their own. The complaint had merit, although the Japanese were only following earlier European and American examples: protect until you're so strong you don't have to worry about competition. In the late Tokugawa and Meiji periods (1850s to 1900), when Japan was prevented by treaty from imposing customs duties, much of the resistance to foreign goods came from deep-rooted, culturally determined consumer preferences. Also from bureaucratic regulations that tormented importers; the open-door period was a school in nontariff barriers to trade. Once Japan was free to set tariffs, it set them high enough to shelter home industry.

After World War II, world trade policy changed direction. The disastrous experience of the thirties, when industrial nations closed doors and windows and beggared neighbors, had led most economists and politicians to recognize the advantages of free trade, not only for economic prosperity but international harmony. Sentiment along these lines was, to be sure, far from unanimous, but with the United States leading the way, diplomacy and expertise urged everyone to open up. America here was following the British precedent of a century earlier: now that it was the richest, most powerful economy in the world, it renounced old protectionist habits; though in a nation of frequent elections and political deals, it was not always easy to find and erase the heresies. (Some of these vested interests bordered on the ludicrous. During the war, Americans had learned to make a sort of vermouth to replace the French and Italian versions. With peace, this infant industry found it could not compete with the genuine article. So it called for protection on national security grounds and almost got it.)

Japan went along with this move to freer trade, but no country was so effective in enforcing nontariff barriers.* The ingenuity of Japanese contumacy became legendary. Baseball bats were drilled on arrival to make sure they were all-wood. High-tech new medical equipment was generously allowed in, but the procedures using these machines were excluded from health coverage (the ban was lifted once the Japanese

* On these (mal)practices, which many American economists are inclined to discount or trivialize and others dismiss as "Japan-bashing" (an expression invented to dispose of awkward charges without having to answer them), see Lincoln, *Japan's Unequal Trade.* The word "bashing" is a favorite resort of the intellectual scoundrel.

had built their own devices). Automobiles were taken apart and checked inside and out before they might be sold to consumers. Once, vexed by increasing imports of French skis, the Japanese tried to exclude them on the pretext that Japanese snow was different. The French responded by threatening to exclude Japanese motorcycles on the ground that French roads were different. Understood; the Japanese dropped their plans.

All of these vexations testify to a sly cunning, of a sort to permit indefinite delays, evasions, and flip-flops, and always with politely straight face. More serious in the long run are business ties and social expectations that exclude shopping for cheaper imports. The Japanese do not think of the market as an open space. It consists of enclosures, and business people who violate the boundaries will be warned that when and if such imports should be unavailable, the maverick bargain hunter will not find Japanese suppliers ready to help out.

What kinds of imported manufactures do get in? Primarily prestige brands, typically linked to national specializations: Scotch whisky, French cognac, Belgian and Swiss chocolates, Vuitton luggage, Patek and Rolex watches, Italian designer clothing—the sort of thing that makes a statement, whether as gift or conspicuous marker of success. All of Japan's big department stores have separate boutiques for these items: a country ready to spend a hundred dollars for a supermelon with ribbon attached can afford to spoil itself. No room, though, for Kodak film; the Japanese have their own Fuji brand—and Japanese light is different.

This mercantilist policy has aroused indignation among trading "partners" and puzzlement among economists. Don't the Japanese understand that such a policy is a deliberate impoverishment of their own population, who pay that much more for what they buy? No one would call the Japanese fools, even if they do occasionally make mistakes. Don't they understand comparative advantage? Don't they know that free trade promotes growth and wealth?

To these rhetorical questions, the Japanese reply that the end of economic policy is not low prices and discount distribution. The goal is market share, increased capacity, industrial and military strength.* Pro-

* On the technological links in Japan between industrial development and military strength, see especially Samuels, *"Rich Nation, Strong Army."* The one thing I would add to his analysis is the role of export-oriented manufacture in expanding industrial capacity. The Japanese have not forgotten the strategic consequences of their relative industrial weakness in World War II.

ducers are more important than consumers. Anyone can buy, but not everyone can make. If people spend less now, they save more (about one third of income). Their children will have more and Japan will be the stronger.

Behind the Japanese, who by some measures may now be the richest people in the world, come the "little tigers" (or "dragons" if you prefer), the ambitious Asian newcomers who have shown the way to other aspirants. Two of these are the former Japanese colonies of Taiwan and Korea; two, Singapore and Hong-Kong, are global city-states that hark back to the commercial-industrial centers of late medieval Italy.[4] No group has grown "more rapidly and more consistently" over the last thirty-five years.* In all four the primary assets have been a work ethic that yields high product for low wages; and, as in Japan, an exceptional manual dexterity that comes from eating with chopsticks and is especially useful in micro-assembly. (This last argument brings smiles from my colleagues, but I stand by it. Much of modern assembly is fine tweezer work, and nothing prepares for it better than eating with chopsticks from early childhood.)†

The availability of fine-skilled, low-wage labor has made all of these countries—plus regional followers such as Malaysia, Thailand, and Indonesia—attractive to advanced enterprises elsewhere, especially from places with overvalued currencies.** Nothing has so persuaded the Japanese to manufacture abroad as the costly yen. Never has capital

* World Bank, *East-Asian Miracle,* p. 28. We are talking of growth rates averaging 6 or more percent per year. Taiwan, it should be noted, for all its economic power, is the invisible man. The World Bank's *Annual Development Report* does not include data on Taiwan or even list it among the world's nations—this, apparently to avoid offending the People's Republic, which resents any hint of recognition of Taiwan as a separate entity. In the *East Asian Miracle,* Taiwan appears as "Taiwan, China." Give the World Bank a tin medal for pusillanimity.

† Almost everyone who writes about the economic performance of these East Asian units comments on the quality of the workforce, but equally takes it somehow for granted. Manuel Castells, "Four Asian Tigers," p. 55 and *passim,* finds the most important common characteristic to be the role of the state, even in Hong Kong. My only problem with that is that one finds state intervention all over the place, sometimes wise, sometimes foolish. States may helpeconomic developement, but it takes a world of good work and enterprise to make the state look good.

** The World Bank calls these the "high-performing Asian economies," which seems appropriate, but then vitiates its nomenclature by offering dubious growth data for other countries. What is one to make of a list of countries in order of growth per head per year 1960–85 that has Egypt, Greece, Syria, and Portugal up in the top twenty, and Botswana (diamonds) leading all the rest?—*East Asian Miracle,* p. 3, based on Summers and Heston, "A New Set."

been so mobile. In the 1980s, foreign direct investment (FDI) by industrial nations was growing five times faster than world trade, ten times faster than world output; and even when these flows slowed in the 'nineties, FDI to the developing countries kept growing.[5]

In this way, investment and technique have cascaded from country to country, with wages rising accordingly. The Koreans moved into automobile manufacture with orders and technical assistance from American firms hard-pressed to meet Japanese competition. The Swiss and Japanese contracted for watches and parts made in Hong Kong, then in Malaysia. Japanese (NEC, Sony), European (Philips, Rollei), and American (G.E., Seagate Technologies) multinationals have made Singapore a world center of electronics and photographics, while Hong Kong, where refugee labor could once be had for a low wage and a pallet to sleep on among the machines, is busily setting up plants and leasing work in mainland China. Singapore has outsourced for telephones in Malaysia and the Philippines.

No economy is too advanced to be penetrated, no wall too high. By late 1996, more than thirty Korean companies had manufacturing units in Britain. Wales was congratulating itself on "revitalisation" by foreign, largely Asian, investors, and five thousand people applied for three hundred jobs with the first Korean company to come in. Other European countries are less hospitable. In France, the Korean conglomerate Daewoo Electronics agreed to take over the consumer electronics branch of the French firm Thomson Multimedia. This would have put it ahead of Sony as the world's biggest maker of TV sets, which Thomson had been selling under the RCA label. The deal aborted. The Koreans were furious.*

In choosing investment targets, wage levels are clearly decisive, but

* On Wales, see *The Times* (London), 6 January, 1997, p. 40. On Daewoo: *Int. Herald-Tribune,* 18 October 1996, p. 20; 19–20 October 1996, p. 15. Daewoo got its slice of Thomson for a symbolic one-franc piece, but the gift came with a load of debt. (The French government is trying to reduce its deficit to pave the way for entry into the new currency union.) As of December 1996, however, the deal was off. French opponents of foreign invasion made much fuss about the symbolic franc, but said little or nothing about the debt. In pulling out, the French government tried to hide behind the European Community, but fooled nobody. In Korea, people speak of French racism—if it had been an American buyer, no trouble—and the Korean government calls French bad faith (xenophobia) "a national concern." "France cannot be trusted." *Int. Herald-Tribune,* 6 December 1996, p. 1; 9 December 1996, p. 13; 15 January 1997, p. 11. Note, however, that Korea itself is notoriously hostile to foreign ownership. A tale of Eastern pot calling Western kettle black. Even so, Daewoo may still be interested.

market barriers and feelings, immaterial and personal, also matter. Thus American outsourcers found Korean partners far less expensive than Japanese; also a lot easier to work with. But when the Japanese set up affiliates in Korea, they soon found wages going up and pulled out for cheaper climes. And maybe the Koreans were glad to see them go.

(Why Malaysia? It has a population of only 19 million, so labor, at least unskilled labor, is hard to come by. But it has entrepreneurs, and they draw workers like a magnet. Illegal immigrants, mainly from Indonesia [population 190 million] and Bangladesh [115 million], pour in despite strenuous efforts to guard the gates. As everywhere, a thriving business smuggles people for outlandish fees. The outsiders don't look that different, but they are; so that it's not the competition for jobs that bothers the natives, it's mixed sex. The prime minister of Malaysia cites complaints by village leaders: girls running off with foreign boyfriends, unwed mothers ditched by partners, wives abandoning their families to elope with foreigners, who may well treat them better.[6] Can't have that.)

Ethnic connections also count, particularly among expatriate (overseas) Chinese. The Chinese, middleman minority par excellence, are the leaven and lubricant of Southeast Asian trade, and from there around the world. They cherish a work ethic that would make a Weberian Calvinist envious, and they somehow pass it on through richer and poorer from one generation to the next.

(I recall my first visit to Hong Kong a generation ago. It was evening, and outside my hotel I passed a tiny camera shop tucked into a staircase landing. I glanced in, and that was enough. The merchant immediately asked me what I was looking for. Well, I had begun with nothing in mind, but then I remembered that I could use a special lens; so I asked for it. His face fell; he did not have it in stock. Then he brightened up. If I came back later, he would have it for me. I told him I was off to dinner, would not come back until midnight at least. "Don't worry," he said. "You come back. I be here with lens." A little after midnight I returned and started up to my room. Then I remembered, but told my sleepy self it was a waste of time. But then I felt guilty, went back to the shop, and of course found the store open and my man there, with lens. Find me an American or a European to do that.)

The Chinese played a crucial role from the start in the success of European rule—in Dutch Indonesia and the Spanish Philippines, and then in the late nineteenth century in French Indochina. They continue to thrive in the successor states.[7] International partnerships have developed along ethnic lines. Thus Hong Kong, Taiwan, and Singapore are launching platforms to Thailand, where many Chinese have taken Thai names, the better to fit in;* and to Malaysia, where the Chinese run the business show, although affirmative action and smart politics urge them to adopt Malay partners.† Thailand prides itself on transcending differences, in part by strongly discouraging separate Chinese schooling. The Chinese smile politely, publicly approve, but often supplement the Thai curriculum with school abroad. The community balances "on an invisible see-saw between two or more identities."[8] In economic matters, that means that the Chinese know who they are and can work with one another.

In Malaysia ethnic differences are sharper, *ressentiment* keener. Malaysia has known violence, race riots—nowhere near so bad as in Indonesia, but bad enough to make a point. So everyone plays down the ethnic factor. In the meantime, on the island of Penang (northwest coast), disk-drive capital of the world (over 40 percent of output), the Chinese hold most of the executive and engineering positions. "They're more like Americans," says one exec, "they live to work."[9] Members, then, of a rare aristocracy: most people work to live.

Riding the wave of economic growth, the worldwide network of Chinese traders and entrepreneurs grows daily stronger. The success of this diaspora would justify calling the so-called East and Southeast Asian miracle an ethnic, that is, cultural triumph. In Indonesia, where the Chinese form 4 percent of the population, they controlled in the early 1900s seventeen of the twenty-five largest business groups. In Thailand (10 percent Chinese), they number more than 90 percent of the richest families and own the same proportion of commercial and manufacturing assets. That they do not own just about everything is due less to indigenous competition than to the claims made by political insiders, who have founded their own privileged enterprises or expect a piece of whatever looks good.

Guesses about the overall output of Chinese-controlled businesses, including China itself, but excluding Indonesia, Thailand, Malaysia, and the Philippines, speak of \$2.5 trillion (10^{12}) in 1990, ahead of Japan (\$2.1 trillion), half as big as the United States, and growing faster than both.[10] Some feel that Japan's moment of leadership is already past.[11] Japan's strength and weakness—both—are its sense of national distinctiveness and superiority. This stimulates the Japanese to high levels of performance, but it also makes it hard for them to work with others as equal partners.* My own sense, however, is that the Japanese will learn—as always.

* I am told, however, that the list of Thai names they draw on is such that informed Thais can recognize the Chinese origin.

† The Thais feel that they have been more welcoming than the Malaysians of their Chinese middleman minority—Kaplan, *Ends of the Earth,* p. 377.

Two caveats to this East Asian success story. The first concerns promotion from plantation industry to autonomous enterprise. Using modern technology is much easier than inventing it. A handful of countries are responsible for the vast bulk of industrial patents. These rampageous comers, with their lusty infant industries, have yet to stand on their own feet. Some of the hardest work still lies ahead.

Secondly, the faster the growth, the greater the negative side effects, material and psychological (haste makes waste). Remedies require social and political institutions capable of mastering the problems and undertaking solutions. These institutions may not be in place. Time marches on; the remedies never catch up. Often it is simply a question of priorities: money matters; people are expendable; related costs can wait.

Take Thailand. The metropolitan area of Bangkok has both exploded and imploded. Industry and trade have rushed in, drawing throngs of job hunters after, and *nominal* household income has increased tenfold in twenty years.[12] Happy builders have filled every open and underused space. Even canals, once lifeblood arteries, have been cemented over to gain ground for construction. Rising income has made cars proliferate, both for commerce and private use, and the traffic jams are monumental. When I visited Bangkok in 1979, the American Embassy put a car and driver at my disposal. The car had a mobile phone (in my innocence, I'd never seen one) to notify the embassy if we were stuck in a jam; and I was told to make only two appointments a day, one for A.M., one for P.M. Today, Bangkok has 10 million people (twenty times its population in 1900) and many of them prefer big cars. Vehicles pour in every day from the suburbs and surrounding countryside. Drivers need not only a mobile phone but a potty. Powerful people order motorcades, even for wife and children, but the effect on the hundreds of vehicles blocked off and piled up may well be imagined. In 1979, I quickly learned not to walk in the streets during

* On the other hand, Chinese clannishness makes them in some places a designated target for crime, the more so as they are richer than the majority population. This in turn discourages them from investing locally: who knows when they may have to run? Cf. Seth Mydans, "Kidnapping of Ethnic Chinese Rises in Philippines," *N.Y. Times,* 17 March 1996, p. 3.

the day; the air was unbreathable. Today, half the traffic cops in the city are suffering from respiratory illness, and a 1990 study reports that bad air (lead levels three times those in Europe or the United States) costs six points in IQ by age seven.[13]

In short, urban Thais are richer, but also poorer. Not in income, but in quality of life.* Only 2 percent of Bangkok's population is tied to proper sewage disposal. The water table is falling; the city is sinking into a treeless river delta that lies open to ocean flooding. Bad living conditions impede further development. Thailand has gone about as far as it can on the basis of cheap labor; cheaper labor lies just across the border. It now needs high-tech, knowledge-intensive industry, which calls for foreign investors and expatriate technicians, and they won't come to breathe poison. Meanwhile the macroeconomic figures show spectacular growth and are swelled by the very effort to correct these maladies. Antipollution devices and measures, waste disposal, medical care, and similar expenditures show up on the plus side of income and product accounts.

"They Can Have Any Color They Want": The American and Japanese Automobile Industries

Henry Ford, in one of his wry brags, said that the buyers of his cars could have them in any color they wanted, so long as it was black. This was in the heyday of the Model T, which in fact was made at various times in a number of colors, though only one color at a time. That was the essence of Ford's philosophy of mass production: make all the cars alike, and make a lot of them. Sell them cheap and everyone will buy them. People who wanted styling and individuality could look elsewhere. Or buy a Model T chassis and have the coachwork done to order.[14]

The Ford principles became the basis of the American automobile manufacture, and of other branches as well. The American car industry became the world bellwether: biggest maker and exporter,

* Annual income per household in 1995 for the Bangkok metropolitan area was estimated at 2.5 times the average for the entire kingdom. Achavanuntakul, "Effects of Government Policies," p. 9.

tastemaker and style leader, mass producer of vessels of freedom and love.*

The number of registered motor vehicles in Japan in 1917 was 3,856; in 1923, the number had risen only to 13,000, all imported. The big movers were still rickshaws and horse-drawn carriages and wagons, plus trams, and trains for long-distance travel.† But the war, as everywhere, sharpened the sense of need and opportunity. The military had learned to value trucks and now moved to develop a home manufacture. They spoke to the leading *zaibatsu* (conglomerates)—Mitsui, Mitsubishi, Sumitomo—and found them singularly uninterested. So they recruited lesser players, and the Japanese automobile industry came largely into the hands of "new men."

Entering a fallow but fertile field, Ford and General Motors built auto assembly plants in Yokohama (1925) and Osaka (1927). The Japanese came to see these not as an advantage to their consumers but as a deterrent to the development of their own industry, still unfamiliar with mass-production technology. Low as were wages, a Japanese-made vehicle cost 50 percent more than an American-assembled car or import. Between 1926 and 1935, these last accounted for more than 95 percent of new vehicle registrations.[15]

Meanwhile the state, with aggression aforethought, had focused on manufacture for military use: hence the Military Automobiles Assistance Law of 1918, which offered large subsidies for utilitarian vehicles that met specified standards.** Passenger cars could wait.

* The assembly-line principle was adaptable to various methods of manufacture. Henry Ford stressed long runs and stuck to technologies long after they were obsolete. When he was right, he was very, very right. And when he was wrong, other producers took market share. Flink, "Unplanned Obsolescence," states that the Model T was in some respects obsolete from the start. But it was cheap, the price of the standard model going from $825 in 1908 to $260 in 1927. That was the end: in May 1927, the last of over 15 million Model T's rolled off the line.

† It is easy to underestimate the contribution of the rickshaw, but it was the key vehicle of urban Japan: some 38,000 in Tokyo alone in 1888. Morris-Suzuki, *Technological Transformation,* p. 97, argues that "the rikisha was just as important to Japan's modern economic development as the railway." She goes on to stress two aspects: it was the first Japanese vehicle to be exported, opening markets that would later take bicycles and motor vehicles; and it was made by networks of small suppliers of components, thereby anticipating the structures of the automobile and other assembly industries.

** Since Japan at this point had no enemies in prospect, one must see these measures as an anticipation of imperial expansion. On the law of 1918, see Morris-Suzuki, *Technological Transformation,* p. 124.

But could they? A decade later, when private enterprise had not yet shown interest, some officials began to worry. In 1929, the Ministry of Commerce and Industry (predecessor of the Ministry of International Trade and Industry [MITI]) published a study, "Policy for Establishing the Motor Vehicle Industry," and this was followed by renewed overtures to the biggest business groups.

By way of example and encouragement, the government designed and started making in 1931 a small 45-hp car that would do 40 kilometers an hour. This slowpoke did not catch on, however, and in 1936 the two American giants still accounted for some three quarters of national output. Now the Japanese army proposed that these foreign firms be purely and simply expelled. After all, war is war, and trade is war.* The pusillanimous politicians found this a little indelicate, though, so the Diet passed a law, drafted by the army, offering big subsidies to Japanese makers and requiring that auto companies be owned and directed in their majority by Japanese citizens. At the same time, the government laid heavy duties on import of complete vehicles and knockdown sets for assembly. These tariffs did the job: by 1938 the production share of Nissan, Toyota, and Isuzu was up to 57 percent. The Americans tried to stick it out, seeking to merge with Japanese makers. No way: all plans to merge, dissolve, or get around these discriminations were subject to government approval. In 1939, the American firms gave up and cleared out. For the Japanese, this turned out to be a good exercise in mercantilism and a preparation for the trade wars of the future.

Where all this would have led, we can guess. But war changes everything, including the best-laid plans. In 1945, plants and equipment lay in ruins, and the American occupation authorities saw no reason why Japan should bother itself with an auto industry. Some officials at the Bank of Japan and the Ministry of Transport agreed. But MITI saw automobiles as the focus of a whole range of related branches and worked out a stimulus package: low-cost loans, tax privileges, protection against foreign competition. For tax purposes, export sales were deductible from income; imports of tools

* This is an old theme in the Japanese nationalist refrain. Haruhiro Fukui, "The Japanese State," p. 206, offers an eloquent exposition in a prefectural governor's speech of 1904: " . . . war in peace time goes on constantly. In this kind of war, that is, struggle for survival, those who exploit scientific instruments to expand industry, produce goods at low costs, and thus absorb financial resources will nurture the strength of their own nation, enrich its resources, and thus emerge as winners. . . . "

and equipment were exempted from duty.[16] (Later on [1960s], the General Agreement on Tariffs and Trade would forbid some of these discriminatory practices. No use; the Japanese stayed ahead of all efforts to level the playing field. Every economist knows that there's more than one way to skin an international bureaucrat.)

This time, the home industry, led by Toyota and Nissan, did catch fire. In 1950, Japan made 32,000 vehicles—about one and a half days of American manufacture. At that point the Korean War brought a rush of orders and gave the automobile industry an impulse that it never lost, the more so as the American occupation ended in 1952, leaving Japan free to pursue its own industrial destiny. This was that of a major exporter, not only because bigger sales meant lower unit costs and higher profits, but because *greater productive capacity enhanced the power of the nation.* Defeat—the first ever suffered by Japan—had left a bitter taste. The Japanese *knew* they had lost the war not because the Americans were better or braver fighters, but because of America's industrial output.

By 1960, car output stood at 482,000 units, 39,000 of them exported, about 8 percent. A decade later, Japan made an astounding 5.3 million cars, of which 1.1 million sold abroad. By 1974, Japan had replaced West Germany as the world's largest exporter of automobiles. By 1980, it was shipping some 6 million vehicles, 54 percent of total output, and had passed the United States as the biggest carmaker in the world.[17] What's more, other things equal, these Japanese cars were not winning market share by lower prices. Japanese cars actually cost more, often more than sticker price, while American cars typically sold for less than list. Why so? Because Japanese cars had fewer defects and stood up better to wear, hence sold higher on the used-car market.

These growth rates of 30 and 40 percent a year in the face of immensely rich and firmly entrenched competitors will be studied in the future as a lesson in energy, ingenuity, and enterprise. Henry Ford must have been spinning in his grave.

Americans, looking for explanations (excuses), pointed to Japanese state subventions and protectionism. They helped; but they did not make the industry. That was the work of the people who made the cars—the labor force, the engineers, the entrepreneurs. Also of the ineptness of American car makers, who had been going from triumph to triumph, who equated their enterprises with their country, who thought the American consumer owed them a living, and who paid themselves salaries and bonuses that bore little relation to profits.[18] For them, this Japanese ascent was *lèse-majesté* on a global scale.

How did the Japanese do it? First, they made a virtue of handicaps. Since their home market was too small for the long runs that justified the mass-production methods of the American industry, the Japanese diversified their product, catering to special needs and tastes and switching models as demand dictated. To this end, they learned to design and test faster: 46 months in Japan vs. 60 in the United States (1.7 million man-hours vs. 3.1 million) to craft a new model; 1.4 months vs. 11 to return to normal quality after introduction of the new model.[19] The latter comparison is crucial. Haste makes waste, quality is decisive, and the annals of American car production are dotted with instances of quick savings swallowed by long repairs.*

These quick-change techniques made it possible for Japan to gain first-mover advantage;† to copy quickly the successes of other makers; to drop mistakes in a hurry. Here was the flexible production that some have put forward as the technology of the future.[20] It was not a shift to small scale ("small is beautiful") as some have thought; on the contrary, big firms had the resources to do it better and pay the costs of variation. But it was a major change from "any color, so long as it's black."[21]

Variety required a suitably versatile technology. After the war, the Japanese needed new equipment, and this gave them the opportunity to imagine and combine ingenious tools and machines—most of them, ironically, made to order in the United States. It also opened the way to the latest devices—automation, robotics, computerization. The key change took the Japanese from single-purpose to multipurpose machines, which required a workforce trained to deal with a range of jobs, shifting quickly from one to the other. The Japanese did this by adapting the equipment and learning the drill, so that by the 1970s, for example, they could change dies in stamping presses in five minutes, compared with eight

* Cf. Lee Iacocca, then chairman of Chrysler, on the $7-per-car economy on rust-proofing the *Aspen,* followed by $100 million in repairs and an even costlier loss of consumer confidence—Holusha, "Detroit's Push," p. D-8.

† March 1983: "Japanese auto makers introduced three cars this spring that make Detroit's newest models seem dated already." Nag and Simison, "With Three New Cars," on the prospective impact of the Toyota *Camry,* the Honda *Prelude,* and the Mazda 626.

to twenty-four hours in an American plant.[22] This strategy had profound implications for labor-management relations. American emphasis on single-purpose machines and hard assignments had the effect of deskilling; it also led unions to insist on job segmentation and management to accept it.

Multiple models, of course, multiplied inventories, and inventory idles capital, increases storage costs, invites delays. Where American car makers, with their long runs and rare changeovers, dreaded interruption (from strikes, for example) and accumulated a buffer of ready components, Japanese makers strove to minimize stocks by using the system we know as "just in time."* The idea, we are told, came from visits to the United States—not to the automobile plants but to the supermarkets, with their extraordinary diversity of products. They watched American housewives, who kept track and bought as needed; and the markets also kept track and did the same. The goods were pulled through rather than pushed. Why couldn't cars be made that way? (They were, in American auto plants, but the Japanese refined a procedure that had room for improvement.) All of these ideas testify to the value of curiosity, observation, and lateral thinking; in short, to the importance of the human actor.[23]

The Japanese also worked to exclude error, aiming at the unreachable goal of zero defects. Instead of pulling cars off the line, they tried to catch the mistake when it happened, stopping the line if necessary. That might have been expensive, but the point was to prevent rather than repair. "Where are the inspectors?" asked an American visitor. "We have no inspectors," came the answer. "The workers do it."

These innovations completely turned around Japan's reputation as manufacturer; whereas before the war, the Japanese had been associated with five-and-dime ticky-tacky and tin-can vehicles, now their products were quality leaders. American car manufacturers found it hard to accept the new reality, clinging to their cherished stereotypes past the point of no return. They also ridiculed the idea of small cars; the very name "Toyota" made them smile. Americans,

* The role of labor conflict and its interruptions is crucial. Ford, in the heyday of the $5 dollar wage and patriarchal management (1910s and early '20s), could afford to squeeze inventories from the 204 days of 1903 to 17 days in 1922. In general, write Abernathy and Clark, "Notes on a Trip," p. 36, "Japanese practice has not extended process rationalization too far beyond the state of the art . . . in Ford's Rouge River facility during the 1920s."

they knew, wanted big cars you could love and make love in. When someone at Chrysler designed a low-slung model, the top exec sneered: "Chrysler builds cars to sit in, not to piss over."[24]

Meanwhile Japanese compacts took a growing share of the American market, and when trade measures set bounds on the number of cars the Japanese could ship, they just moved upscale, first to midrange vehicles, and then to the best. So, the foilers foiled. This was also a way to build customer loyalty, bringing them up as their income and social status rose.[25] When the Japanese announced that they planned to compete with German luxury cars, it seemed a joke. A year or two later and Mercedes and BMW were no longer laughing. The Japanese had just about swept aside their higher-priced success symbols.

It would be wrong to see these gains as simply a matter of technique, there for the taking or copying. People made all the difference. For anyone who has ever visited Japan and suffered in the traffic that is one of the vexatious, even nightmarish features of overcrowded urban and industrial agglomerations, the ability to run a just-in-time system comes across as miraculous. How can anyone deliver parts on call and on time? The answer: by sleeping on the job. The driver takes his lorry close by the factory gate and parks there overnight, curling up in the cab. On the morrow he's there.

But that makes another point: what's sauce for the goose is not for the gander. The just-in-time mother plant is saving its time. Very smart. But the supplier is spending his time. The whole Japanese system of outsourcing rests on pressing down, on squeezing the purveyors while they in turn squeeze their workforce. All is not immaculate, then, in the Japanese industrial heaven. On the other hand, the mother firm is not unreasonable: it squeezes, but it also helps with equipment, technique, and funding. These are tough, resilient people, as always very hierarchical, but with a strong sense of reciprocal obligation up and down the scale.

In the automobile manufacture, all of this depends on a team approach that unites management and labor, in a commitment not only to efficient performance but to continuing improvement. Labor is not expected to oppose innovation, even of the labor-saving variety,[26] and in the big firms every worker feels obliged, indeed is pushed, to make suggestions, mounting to the tens of thousands, for saving effort here and money, even a few yen, there. (One can only wonder how management vets this flood of ideas.) Everyone on the

line, moreover, is trained to do a range of tasks, and an interruption is not an opportunity to rest but rather to do something else. (None of this segmentation—"that's not my job"—which can be "murder" in work that brings together different trades.)* In Japan, the worker has and feels a duty to be useful at all times.†

All of this may sound good, but it is not easy, nor is it kind to the organism or the ego. It entails a rigorous subordination of the person to superiors and to the group. The company has a thousand ways to reward the cooperative worker, to punish the nonconformist. Groups that make trouble can see their tasks turned over to an outside supplier. Firms like Toyota swallow their employees; they have their own calendar, independent of national holidays and weekends (but most Japanese have no religious sabbath). What with overtime and commuting, workers are often away from home eleven and twelve hours a day; but that goes for cadres and bosses too. That's where wives come in: they rear the children and put them to bed before Father comes home. Off can mean on: 40 percent of the manufacturing employees work more than one of their days off each month; 30 percent more than five extra days a month. Most of them engage in company-sponsored activities on at least one holiday a month; a third do more than that. The company makes this easy, what with private recreational facilities, organized activities, and assiduous monitors. Ask a Japanese worker what he does, and he'll tell you the name of his company.[27]

Observers have justly contrasted this teamwork, this sacrifice of the individual to the group, and yes, this hyperintensification of labor, to the adversarial relationship that embodies and sanctions the self-respect of Western labor. In effect, the American firm is pluralistic:

* Note that things might have gone differently. In the postwar years, Japanese labor, often led by militant Communists, adopted an combative mode that was rejected and abandoned only after some fierce battles with company unions. The American occupation played its role: initially, it opened the door by legalizing trade unions; subsequently, its primary concern was to tame the unions by way of reducing Soviet influence.

† The economist Harvey Leibenstein states the contrast in general terms: " . . . the ideal in the West is a short-run *contractual* view or contractual *ideal* of firm association rather than a long-run *belonging* ideal. There is a sense in which the Western approach represents a series of contracts . . . involves devotion to a particular skill or job (even a 'property right' in the job) rather than loyalty to the firm in general"—"Japanese Management System," p. 9. See p. 11 for contrasting results of attitude surveys: in 1976 49 percent of Japanese workers said they should help others when their own tasks were completed; only 16 percent of American workers felt that way.

the bosses have their aims; the workers, theirs; the shareholders, theirs. And while all are theoretically united by loyalty to the enterprise, the meaning of that loyalty is subject to competing interests. Hence a constant, latent tension, punctuated by conflicts and showdowns.

Japan does not work that way. Japanese company unions almost always obtain their wage demands because they have been negotiated with management in advance.* Such strikes as occur are often symbolic, one-day affairs, just to show that the workers are serious.† Contrast the United States: there the talks are often *pro forma,* and issues are resolved by test of force. Sometimes, by miscalculation, the battle ends in closure of company or plant—who needs all this trouble? Too often the combat leaves a residue of hard feeling that embitters relations and invites another round. Both sides proclaim victory, but just wait until next time.[28]

Is this Japanese mode of "lean production," quality control, and labor-management partnership exportable? Can Americans learn new ways? We have the beginning of an answer in the performance—in the United States but also in Britain—of Japanese affiliates: Honda, Toyota, Mitsubishi, *et al.* These plants owe their origin to trade barriers; they were built to get behind the walls. They pay about the same wages as American firms, but they have been able to keep out the unions with their task segmentation and divided sovereignty. They also have relied extensively on imported components, to the point of raising questions about the nationality of the product. But that is the nature of global industry: one buys cheapest. In the meantime, these transplants seem to show higher labor productivity and quality than all-American firms, though Japanese factories in Japan do somewhat better.[29]

These results tell us what American workers can do starting from scratch. These non-unionized transplants are free of suspicions and

* The same in Japanese criminal trials: by the time the matter comes to court, the accused has largely conceded, so that the conviction rate is almost 100 percent.

† The nature of Japanese labor relations has been a puzzle to specialists. Is this absence of conflict a stage that labor will outgrow? Or does it reflect deep-rooted social values and traditions? Many Japanese incline to the latter explanation, but Galenson and Odaka, "The Japanese Labor Market," p. 627, do not think it necessary "to fall back on well-worn generalizations about family structure and the hierarchical, traditionalist nature of Japanese society." Is an explanation less persuasive or valid because it is "well-worn"?

negatives left by generations of combat by the United Auto Workers. On the other hand, some of the contrasts between Americans and Japanese workers go back to child rearing. Union or no union, people are different. Douglas Fraser, president of the UAW and a reasonable man, when asked if American workers had to adopt Japanese values and attitudes to compete, said he thought not, and argued from temperament: " . . . the American worker has an individuality and a willingness to dissent that does not respond to dictatorial instruction."[30] "Dictatorial"? The word proclaims the gap.

Plenty of blame to go around. Much of the initial failure of the American auto industry to hold its own against this bull of a competitor was its own fault—of labor partly, because of its hormonal reluctance to change ways or give way; but of management even more. The list of sins is long: (1) complacency (we're the best, have always been the best); (2) want of empathy (did they really expect the Japanese, with their often narrow roads and left-side driving, to buy big cars with steering on the left?); (3) residual, two-faced reliance on government support (we're all for free enterprise, but how else counter official favors to the Japanese auto industry?);* and (4) a short and selfish time horizon that led American management to use respites from Japanese competition to raise prices and dividends rather than invest and improve techniques.

But the Americans have been learning and are doing better. Here and there, increasingly, car makers have adopted Japanese methods—to much oohing and ahing and self-congratulation, as though they had discovered America. Example: Ford's decision to stop the assembly line at its Louisville truck assembly plant long enough to allow workers to lower the body onto the chassis. Simple enough, and it meant more accurate work and less damage: "You just line up two pins and drop it." The idea came from workers on the line. In the old days, management would have paid no heed. Now they were listening.[31]

So the American industry is poised today between old ways and new. The big auto makers are relying more than before on parts suppliers, within and without the enterprise, to do much of the component assembly, in effect pushing the burden back *à la*

* Cf. the Chrysler bailout, where the government took stock as security. The stock appreciated enormously when Chrysler got back on track, at which point Chrysler tried to argue that the government should not get the capital gain. One can well imagine what Chrysler would have said had things gone the other way. Where fair play?

japonaise and holding their wage bill down. To keep inventories lean, they are demanding just-in-time deliveries, some of them at twenty-minute intervals. Some affiliated partsmakers are now working for outside car makers as well as for the mother assembly plant, thereby maximizing the rate of utilization. Come a strike against the parent company, should the workers in the plant continue to produce for competitors? That's a hard one. Old-timers say no; others point to painful reality. If labor gets too difficult, they warn, the auto makers will turn to more cooperative suppliers, say in Mexico. *(Viva la NAFTA!)* The big boys cannot afford to let a parts supplier hang up the whole process. The pragmatists have been winning the argument. (In effect, the possibility of such diversion has sapped labor's bargaining power.) Labor ideologues are not happy: "You're seeing a taste of business unionism," they scold. Labor in bed with management.[32] Can this be love?

Meanwhile Japanese car makers are beginning to feel such Asian rivals as Korea nipping at their heels. No rest or end in this kind of war.

28

Losers

Strung out behind the leaders and followers—in the sense of those who are keeping pace or catching up—are most of the world's peoples.

By comparison with East Asia, the rest of the world looks like a study in slow motion, or even one step forward, two steps back. The Middle East has much going for it, in particular, huge oil revenues (some \$2 trillion [10^{12}] in the twenty years after 1973), but its political, social, and cultural institutions do not ensure security of enterprise or promote autonomous technological development. Also, cultural attitudes, and above all, gender biases, inhibit industrial undertakings. One result is high rates of unemployment and underemployment, made worse and angrier by education: people who have been to school expect more.[1]

To be sure, well-meaning governments in the region have tried to substitute for private initiative. Thus Egypt, recalling the industrial projects of Muhammad Ali one hundred years earlier, decided after World War II to invest in cotton-spinning mills. The idea seemed foolproof. Egypt grew the finest long-fiber cotton in the world; why not work it up and gain the value added? The trouble was, the yarn turned out by these callow mills was not of international quality, while foreign growers sought to upgrade their raw cotton and weavers looked for ways to make high-quality cloth with poorer varieties. Never underestimate the ingenuity of good technicians: before the Egyptians could turn around, they were stuck with poor cloth for the home market and had lost part of their export market for raw cotton. Egypt, unfortunately, was not the only example of industry aborted. The African continent abounds in projects and disappointments.

Failure hardens the heart and dims the eye. Up to now, Middle Eastern losers have sought compensation in religious fundamentalism and military aggression. On the popular level, prayer and faith console the impotent and promise retribution. Hence the apocalyptic tone of much Muslim preaching and discourse: the End will bring redress. Meanwhile, the strong resort to force. They find it easier to seize and screw than to make and do. So for Iraq, which thought to get rich quicker by grabbing oil and looting houses in Kuwait than by manufacturing salable commodities. Why buy arms if not to use them?

Will these counterproductive tendencies pass? Impossible to say. They are not accidental but visceral. The international experts keep their chin up (that's what they're paid for) and offer modest recipes for improvement. Thus the World Bank, with its talk of "adjustment," reminds us that good policies pay. What are good policies? Realistic, competitive exchange rates, low or no budget deficits, low or no barriers to trade, markets, markets, markets.

Such "improvements in the macroeconomic framework" do help. They clear major distortions and obstacles. But they do not come easy. How does one eliminate budget deficits when half the workforce is employed by the state unproductively and political stability is tied to inefficiency? (This kind of problem afflicts even rich nations. Look at Europe and the Maastricht criteria for the euro curency.)

And that's only the beginning. The real work of building structures and institutions remains. Besides, what happens when the oil is gone?*

Latin America has had almost two hundred years of political independence to graduate to economic independence. It remains, however, a mixed area, wanting in local initiatives, technologically patchy, entrepreneurially needy. This pattern of arrested development reflects the tenacious resistance of old ways and vested interests. In particular, the apparently rational focus on land and pastoralism (long live comparative advantage!), reinforced by social and political privilege, bred powerful, reactionary elites ill-suited and hostile to an industrial world. This disjuncture, when combined with social discontents—so many poor—invited antidemocratic, though populist, solutions *(caudillismo)*, terrible when durable, destructive when fragile.

* Field, *Inside the Arab World*, p. 21, points out that at rates of extraction in the early 1990s, oil in the Gulf has 130 years to go. (The assumption, of course, is that we know what's there. People are still looking.) But that's the Gulf; for other oil producers in the Middle East and North Africa, the end is nearer. Meanwhile progressive exhaustion is an incentive to a search for new energy technologies. In the end, for oil as now for coal, a fair amount may be left in the ground.

So industry came late. This need not be a handicap; lateness has its advantages. But everything depends on the quality of enterprise and the technological capability of the society. In most of Latin America, industry came in under the shelter of import substitution: high tariffs, discriminatory legislation and regulations, nontariff barriers to imports. As we know from American experience in the nineteenth century and Japanese in the twentieth, such measures may work in a context of energetic emulation, of exigent, world-level (export-capable) standards, of domestic competition. In Latin America, this impulse was largely wanting. Not everywhere. Some industry is on the cutting edge. But most is well behind the frontier, panting behind protective walls.

This protection has been justified by national interest or by anticolonialist ideologies that, if pushed to their logical conclusion, would suggest an end to all exchange with the more advanced industrial nations abroad. (Latin America has been a field of dichotomous perspective: center vs. periphery, neocolonialists vs. victims, bad guys against good.) Fortunately, that has not happened. Such exercises in pure reason (or unreason) are more suited to scholars' studies than to the halls of government, as President Cardoso of Brazil, once a flagbearer of the dependency school, has now discovered.

We should not underestimate the importance of that discovery: just because something is obvious does not mean that people will see it, or that they will sacrifice belief to reality. In the effort to have things both ways, or every way, to appease old interests, to encourage new, to keep the foreigner away while bringing him in, most Latin nations have resorted to the manipulation of trade and money: import barriers and quotas, differential rates of exchange, a carapace of restrictions that some have called the "inward-looking model"—and, of course, to borrowing.[2]

Such measures can provide temporary relief, but at a heavy price: constant adjustments, currency black markets, runaway inflations, high transaction costs, a chilling of foreign investment. Even so, some Latin American countries were able to borrow ridiculously large sums from official international lenders (World Bank, IMF) and from private commercial banks, acting with the encouragement of their governments and, no doubt, tacit assurances of a rescue safety net. Much of this money found its way back to secret private accounts in the United States, Switzerland, and other cozy shelters.

The combination of mismanagement, profligacy, corruption, and open-ended borrowing—development without efficiency constraints—cannot long endure. Such structures are intrinsically brittle, because everyone is straining to the limit and everything is interconnected. Sooner or later, someone gets worried; the balance sheets do not balance; the lenders get cold feet; it becomes impossible to pay old debts with new. Panic!

This happened in the Mexican peso crisis of 1994–95. It couldn't have come at a worse (some would say, a better) time, just after the American administration managed to squeeze through the North American Free Trade Agreement (NAFTA) by calling in every political chip and committing to a mountain of anti-economic favors. Now it had to find tens of billions to reassure the market and give investors and monetary allies the time to pull their chestnuts out. But this time it could not get fast action from a recalcitrant, narrow-minded Congress. Not to worry: the technicians, led by economist Lawrence Summers, found some $20 billion lying quietly in an account established over half a century earlier with the profits realized in the 1930s by repudiating obligations in gold. These ill-gotten gains had been set aside at the time to protect the American dollar . . . Well, one could say that a collapse of the peso and the liquidation of American holdings in Mexico would have done terrible damage to NAFTA and the American dollar . . . Those $20 billion plus another $30 billion cobbled together from international lending organizations saved the day. The American government subsequently made much of quick repayment by Mexico, and the press played down, or never noticed, the fact that the Mexicans had to borrow the money. New debt for old.

The heart of the matter is Latin America's need to go on borrowing, if only to pay interest on older loans. A research student from Latin America once complained to me about this burden of old debt and the vexatious, small-minded foreign insistence on repayment. "You don't have to repay," I pointed out; "a sovereign nation can always repudiate." "Yes," he replied, "but then where shall we go to borrow more?" Exactly. Now, however, the banks are wary, and international lending organizations are tying their support to fiscal and trade reform in the

direction of openness. The code word is "adjustment"—surely a good thing. A more open market is a force for rationality and efficiency, a reordering of economic activity in the direction of comparative advantage, a constraint on corruption and favoritism. And the prospect of aid may be an incentive to cooperation in the struggle against the drug trade—an industry whose growth can only be guessed at.[3] No guarantees. But better a push in the right direction than a return to the *status quo ante.*

Among the heaviest losers in this period of record-breaking economic growth and technological advance were the countries of the Communist-Socialist bloc: the Soviet Union at the bottom of the barrel, Romania and North Korea almost as bad, and a range of satellite victims and emulators struggling to rise above the mess. Best off were probably Czechoslovakia and Hungary, with East Germany (the DDR) and Poland trailing behind. The striking feature of these command economies was the contradiction between system and pretensions on the one hand, performance on the other. The logic was impeccable: experts would plan, zealots would compete in zeal, technology would tame nature, labor would make free, the benefits would accrue to all. From each according to his ability; to each according to his deserts; and eventually, to each according to his needs.*

The dream appealed to the critics and victims of capitalism, admittedly a most imperfect system—but as it turned out, far better than the alternatives. Hence the Marxist economies long enjoyed a willfully credulous favor among radicals, liberals, and progressives in the advanced industrial nations; and a passionate, almost religious endorsement by the militant "anti-imperialist" leaders of the world's poor countries. Many colonies, now independent, turned to the socialist paradigm with a hunger and passion that defied reality.[4]

These favorable predilections long concealed the weaknesses of such command economies. In fact, although the Russian state was capable

* The Soviets anticipated and perhaps taught the Germans. The "tens of thousands" of slave labor deaths incurred building the White Sea–Baltic canal (early 1930s)—picks, shovels, and wheelbarrows against snow, ice, and hunger—were justified by the allegedly redemptive character of the work, which would turn enemies of the people into good socialists. The slogan: "We will instruct nature and we will receive freedom." Compare the motto at the entrance to the Nazi death camps: *Arbeit macht frei*—Work makes free. On the Soviet dream (nightmare) of ruthless gigantism (gods do not weep), see Josephson, " 'Projects of the Century.' "

of mobilizing resources for specific projects, technique was generally backward and overall performance shoddy. The impressive production data were intrinsically and deliberately exaggerated. They should have been heavily discounted for propaganda; also for deterioration and unsold (unsalable) commodities. (Except for caviar, vodka, and folkloric mementoes, nothing Russia made could compete on the world market.) Apartment buildings hung nets around the perimeter to protect pedestrians from falling tiles or stones. Thrifty consumers paid a small fortune for tiny, primitive motor vehicles and then waited years for delivery. Even after they got a car, they found replacement parts unobtainable, and motorists routinely took their windshield wipers with them when they parked their automobiles. Electrical appliances were at the mercy of fluctuating house current. National income data excluded services, for reasons of economic doctrine—only real product counted. But in fact, the less said about services the better: inconveniences balanced advantages. No friend like a good plumber. Or someone in the *nomenklatura,* the privileged elite, with their special stores and clubs, their access to foreign imports, their quasi-exemption from dregs and dross.

Some see this endemic mess as a dirty secret of the system: rulers nourished privation by way of rewarding favorites, building desire in the ambitious, and dulling the rest in the tedium of endless queues. The capitalist economies stimulated labor by the prospect of reward: "ya pays yer money an ya takes yer choice." Communism offered "singing tomorrows." But waiting had to be paid for, and tomorrow never came. When did the people in the queues work? The joke had it, they made believe they worked, and the state made believe it paid them.

The worst aspect of the system, however, was its indifference to, nay, its contempt for, good housekeeping and human decency. Prosperity forgone was bad enough. In a world that had once created and still preserved some beautiful things, the new system mass-produced ugliness: buildings and windows out of true; stained and pocked exteriors, raw cement block; equipment out of order, rusting machinery, abandoned metal corpses—in short, raging squalor.

Necessarily, what the system did to things, it did to people. How to survive in a wasteland dotted with junkheaps? In a world of systematic contempt for humanity? "White coal," they called the people shipped in jammed, fetid freight cars to useless labor and oblivion in frigid wastes. (The USSR anticipated here the death trains and marches of Nazi Germany.) Some, spared or overlooked, heroically maintained oases of warmth and culture in tiny flats and rooms. Many more drowned disappointment and despair in vodka.

Still, nature's gifts remained. The greatest asset of the revolutionary regime was the unspoiled natural treasures it inherited from a late-developing economy. It ran these down with the recklessness that comes with self-proclaimed virtue.

One *place* and one *event* stand for the whole. The place is the Aral Sea, once the fourth largest body of fresh water on the face of the earth, today a dying hole—half the original surface, a third of its volume, reeking with chemicals, fish gone, air hot and poisoned. Children in the region die young, one in ten in the first year. Decades of insolent plans, haste and waste, tons of pesticide, herbicide, and fertilizer, false economies such as unlined irrigation trenches enabled the Soviet Union to grow lots of cotton ("white gold"), while reversing gains in life expectancy and leading the way backward.[5]

Aral, moreover, was not unique, though it was a worst case. In general, Soviet projects for diversion and reversal of water and for construction of industrial plants in previously clean settings took no account of environment. Priority went to virtual jobs and economic growth, and the bigger and more costly the task, the more ennobling. Siberia especially was seen as a *tabula rasa,* empty tundra, space and more space, to do with as one pleased: rivers to be turned backwards, the snows of the north to water the deserts of the south. Creation corrected: communism saw itself as antireligious and scientific, but it aimed at making gods of men. The biggest of these megalomaniacal schemes, which would have altered global climate, had to be abandoned. Prometheus fortunately re-bound.

Aral was the *place.* The *event* was the meltdown of the atomic power reactors at Chernobyl in the Ukraine in 1986. The fire burned out of control for five days and spread more than 50 tons of radioactive poison across White Russia (Belarus), the Baltic states, and parts of Scandinavia—far more than the bombs at Hiroshima and Nagasaki combined. The prevailing winds blew north-northwestward, but no one will convince those Turks who later came down with blood diseases or the thousands of pregnant women from Finland to the Adriatic who had precautionary abortions that they were not victims too. Among the unquestioned casualties were the brave men sent in to fight the fire and clean up afterwards. They were promised special compensation and did not always get it. Relief funds disappeared down the local party maw. The workers' exposure was systematically understated, so that they did their job at the price of a lingering death. (Could they have said no?) Withal, the task was apparently botched: the core was not completely smothered; "the situation" not stabilized.*

The area around the plant has become a place of fear. Is the fear justified? The definitive answer may not come for decades: low levels of radiation work slowly. Some scientists speak of fifty years. By then all the victims will be dead. The residents of the area have chosen caution and terror. Most have left and not returned; but some never left and some have come back to take advantage of empty land. One such diehard, a woman of sixty-five, reassures herself that she is still feeling fine. She has rules of thumb: plant apple seeds deep in the ground; eat no more than ten kilos of mushrooms; "if you feel too much radiation, you have to drink some vodka." Her neighbor believes what she sees: "Look at this place. Where do you see any radiation? If anything, this place is better now that there are less people." And some try to laugh about their plight. They tell the joke about the farmer who is selling apples under a big sign, APPLES FROM CHERNOBYL. "You must be mad," says a passerby. "No one wants to buy apples from Chernobyl." "Sure they do," says the vendor. "Some people buy them for their mother-in-law, others for their wife."[6] (And maybe others for their husband.)

As a result, although other accidents and natural catastrophes may have cost more lives—the chemical leak at Bhopal, India, in 1984, perhaps—none has been more damaging to reputation and prestige.† Repugnance and repudiation were in direct proportion to the technological arrogance and gigantism that inspired and sanctified Soviet programs and projects.[7] The socialist command economy was tarred with incompetence, credulity, stupidity, and indifference to the public weal—among other sins—the more so because of clumsy attempts at concealment and mitigation. "It is now clear that the political repercussions from Chornobyl accelerated the collapse of the Soviet empire."[8]

A dozen nuclear plants on the Chernobyl model are still in operation.

* This was not what the Soviet authorities told the public; or, for that matter, what the International Atomic Energy Agency was ready to admit. Cf. Alexander R. Rich, "10 Years Later, Chernobyl's True Story Is Hard to Nail Down," *Boston Globe,* 26 April 1996, p. 21.

† The human cost of Chernobyl may never be known. Officials, including medical personnel, were under great pressure to minimize casualties. (Contrast Bhopal, where the injured had a financial incentive to make claims.) Feshback and Friendly, *Ecocide in the USSR,* p. 152, think doctors cleared out because they feared public anger. They may have feared radiation more.

Pretense and promises are vulnerable to truth and experience. When the dream vanished, when people came to know the difference between the systems, communism lost its legitimacy. The walls came down and the Soviet Union collapsed, not by revolution, but of abandonment.

> . . . the ecological inheritance [of Africa] could never have been less than difficult. Africa was "tamed" by its historical peoples, over many centuries, against great handicaps not generally present in other continents, whether in terms of thin soils, difficult rainfall incidence, a multitude of pests and fevers, and much else that made survival difficult.[9]

All the ills that have hurt Latin America and the Middle East are exponentially compounded in sub-Saharan Africa: bad government, unexpected sovereignty, backward technology, inadequate education, bad climate, incompetent if not dishonest advice, poverty, hunger, disease, overpopulation—a plague of plagues. Of all the so-called developing regions, Africa has done worst: gross domestic product per head increasing, maybe, by less that 1 percent a year; statistical tables sprinkled with minus signs; many countries with lower income today than before independence. The failure is the more poignant when one makes the comparison with other parts: in 1965, Nigeria (oil exporter) had higher GDP per capita than Indonesia (another oil exporter); twenty-five years later, Indonesia had three times the Nigerian level.[10]

The pain of reality hurts more for the initial exhilaration. With independence, the burden of exploitation would be lifted. Time now for rewards. Some early growth figures seemed to confirm this: "Some areas—like the Rhodesias, the Belgian Congo, Morocco, Gabon, Kenya—were given as growing at 6 to 11 per cent per year, rates among the highest in the world."[11] Few people deflated these estimates to take account of upward bias in countries moving toward urbanization and a growing share of monetized, hence countable, transactions. And no one paused to ask why the colonial powers were so quick to leave. People wanted Africa to do well. Here is a Western observer, writing in 1962:

> Africans in general are the most present-minded people on earth. . . . Without significant exception, all African leaders . . . share the passionate desire to acquire all the good things which western civilization has produced in the two millennia of its history. They want especially to get the technological blessings of American civilization, and to do so as quickly as

possible. The lack of historical consciousness of their people gives the African leaders a great advantage in moving rapidly toward this goal of modernization.[12]

And yet . . . Basil Davidson, Africanist of unquestioned sympathy and bona fides, writes sadly of the moment of disillusion—that point when the Africans of one or another place realized that freedom was not an automatic gateway to happiness and prosperity.[13]

Specialists in these matters distinguish between food security and food self-sufficiency; Africa is wanting on both scores. A large and increasing number of people—and that means women and children especially—are hungry and malnourished, whether for want of purchasing power or for bad distribution. Recalling the anarchy of the late Roman empire, city and country are at war with each other. The new bureaucrats try to squeeze the land and pay less than market value. The farmers hold back or give up. The rootless urbanites have learned tastes that cannot be satisfied locally. So, even in the best of circumstances, the land produces too little food or the wrong kind of food, and must bring it in from outside, at a growing cost to earnings and balance of payments. No other part of the globe is so much prisoner to survival.[14]

Unlike other poor regions, moreover, Africa's shortfalls in food supply afflict, not the food buyers in the cities, but the small farmers who scratch the soil and raise the livestock.* Here nature—material impediments and climatic variations—plays a nasty role, not only swinging widely from fat years to lean, but cumulating trends over longer periods. In the quarter century from 1960 to 1984, food output did not keep up with population, and only a rapid increase in imports kept nourishment up to inadequate (as against catastrophic) levels. Market forces encouraged the trend: food grains from the United States, for example, could be had in Lagos in 1983 at a quarter of the locally grown price.[15] Import dependency (6 percent of caloric intake in 1969–71, 13 percent in 1979–81) switched tastes from old, boring staples to new cereals, while new urban eating habits led to an increased demand for meat by those who could not afford it. In this way, more and more of Africa's food crops went to animal feed. All along, the highest natural rates of population growth in the world (3+ percent per year) were pushing farmers on to marginal soils that quickly wore out. Or driving them from country to slums in the city.[16] In countries where political agencies are fragile and ineffective, the scars of mismanagement do not easily heal, and the good and bad do not balance.

* Typically the farmers will get enough to eat (will feed themselves first) if the government does not expropriate food supplies for distribution in cities or for sale abroad. So in Europe during World War II. But in the Soviet Union, seizure of farm crops in the 1930s in the Ukraine led to a ghastly famine that killed millions. But then, this was the intent. These were nationalists and kulaks, marked as enemies of the Revolution. For a brief, vivid description of this atrocious crime, see Moynahan, *The Russian Century,* pp. 114–22. To know this is to understand the eventual collapse of a rotten regime.

One should not blame these outcomes on smallholder ignorance or incapacity, for in Africa, as much as anywhere, farming methods and reproductive behavior mix old values and rituals with a rational response to material circumstances. African farmers are not fools, and children start paying their way early in a land where firewood and water are scarce and much time is spent foraging and carrying. The result is a reasonable preference for large families. Large families are also proof of virility and a source of pride.[17] In general, the women do as they are told, especially in those cultures where polygamy prevails; and when the men come home, for they often work far off, they have their way, often at great risk to health. AIDS? Forget condoms; the men don't like them. And the women? "They have so many other problems to think of, why should they think about something that kills you in 10 years?"[18]

In the latter days of empire, some governments and foreign advisers tried to remedy these ills, although their calculations were often distorted by extraneous motives and personal interest. Take agriculture. Even before independence, some colonial rulers tried to correct for past mistakes and indifference and to introduce "modern" methods.

The "mother" of all such projects was the British groundnut (in American English, peanut) scheme, launched and sunk in Tanganyika over the period 1946–54 and "intended to demonstrate what the state was capable of . . . when it harnessed modern Western technology and expertise."[19] The idea came originally from the managing director of the United Africa Company, a subsidiary of Unilever, a company reputed to know its oil. The plan was vetted and approved at British cabinet level. The immediate objective: to alleviate British postwar oil and fat shortages without spending dollars (buy colonial). In the words of Food Minister John Strachey, "On your success depends, more than on any other single factor, whether the harassed housewives of Britain get more margarine, cooking fat and soap, in the reasonably near future."[20]

The ultimate aim was to "raise the standard of living of the African peasant" by demonstrating the possibilities of modern technology. To be sure, these peanuts were not destined for consumption by Africans, hungry as they might be; but the peasants would see (would be given an "ocular demonstration," in bureaucratese) and copy the superiority of large-scale, mechanized agriculture. No hands; everything would be done by machine: bulldozers, tractors, rooters, sowers, combines.

At the same time, as though to prove the virtues of British-style socialism (the project was intended, among other things, to demonstrate a superior alternative to Soviet ideology), the British Labour government sent officials to teach the African employees how to strike for higher pay. This altruism succeeded beyond expectations. The natives took up spears, idled the tractors, blocked the roads, stopped the railway. Police had to be brought in; the union leaders, put in prison. The strike failed, but the natives had learned a thing or two.[21]

The planners went in without a plan. They chose a central site because it was empty. It was empty because it had no water. Members of the mission acknowledged "a total lack of any experience of mechanised agriculture." No one had ever tried this kind of thing. Information on rainfall patterns and their effect on yields was wanting; ditto regarding the soil; and estimates on cost of clearing bush drew on experience with airstrips during the war. Supplies took the form of leftover army stores from the Philippines, some useful, some worthless, all the worse for neglect. The mission had no engineering expert. As one member, an accountant, put it: "It was all guesswork, and our guess was as good as anybody else's."

Both British housewives and African peasants had a long wait in prospect. African farmers raised peanuts in some areas, but they (usually the women) did so at enormous pain and effort, scratching and clawing every step of the way. Even so, they did better than these machines, which for all their steel, rubber, and internal combustion engines, sickened in the African climate. Breakdowns were common, repair shops lacking, and what would they have done anyway without replacement parts? Clearance of the gnarled brush and roots was a nightmare. It cost ten times original estimates, and the ground, once cleared, dried to brick hardness.* Very soon the projectors had to scale back expectations and substitute sunflowers for some of the peanut bushes. The changes did not help. Nature refused to cooperate, and yields were far below expectations.

The effects on the local economy and society were deplorable. The

* On lateritic soil, see Chapter I.

British employes had enough money to buy the natives out of food, and the natives in turn got jobs with the project and gave up traditional cultivation. So food production went down and large amounts had to be imported to feed those who were supposed to be producing a surplus for export. Liquor came in too; and prostitutes, charging "stupendous fees of five shillings and more";[22] and thieves—all the afflictions and corruptions of unexpected wealth. Meanwhile the British tried to teach the natives the virtues of working-class solidarity and equality. The natives saw this as a subversion of order and morality.

By 1950, failure was inescapable; time now for remorse and liquidation. The groundnut does not lend itself to mass cultivation. Economic yields require intensive farming. The plan to grow in huge 30,000 acre units proved utterly impractical. It took four years to dispose of the equipment and installations. The British turned as much as possible over to the government of newly independent Tanganyika, which saw these ill-favored leftovers as nuisance more than assets. It wasn't hard for observers to note that the money could have been put to better use.

Needless to say, the fiasco hurt British prestige and discouraged other "imaginative schemes of economic development." Would these have done better? The record is not encouraging, except to ever renewable planners and technicians, who seem to use these projects as children might a dollhouse, and who learn with every failure. I would not depreciate the motives and deeds of these experts. They remain our hope for large-scale, long-range amelioration. Yet nothing is more inebriating and seductive than making a world and feeling virtuous for it. In the end, the British shrugged the failure off. The nation was tired and had better things to worry about than peanuts in Africa.

The British groundnut scheme was not the exception. Colonial governments were liable to these temptations, which held out the irresistible promise of doing well while doing good. The French tried for cotton on the Niger River, upstream from Timbuktu (today Mali), from the 1910s to the 1940s. Again Africa was to supply European needs—this time the potential demand by French spinners, pressed to find precious dollars for American cotton. The colonial administrators involved were concerned to protect their African constituents, even against themselves, while ensuring a supply of raw cotton that could compete on the world market. The French also wanted to preserve freedom of enterprise where possible. So, with consummate Gallic logic, they came up with a compromise formula: the peasants had a "strict obligation" to grow cotton from dawn to dusk, but complete freedom to sell it.[23] Then the French uprooted and replanted peasants and made them plant cotton bushes, and if the peasants made trouble or brought in unsatisfactory cotton, they were marched off to jail. It was, some like to think, a loose, easygoing jail—enough though to make the point.

One would like to think that liberation changed all that, but in fact the new governments had their own schemes of economic development and social engineering, inspired by a new world of peripatetically eager experts and technicians—eager to spend money, to do good, to wield power. These doers, be it said, had no trouble imagining schemes, the bigger the better. And when the schemes failed?

> That is the fault of the West. The West told us to build power stations, bridges, factories, steel mills, phosphate mines. We built them because you said so, and the way you told us. But now they don't work, you tell us we must pay for them with our money. That is not fair. You told us to build them, you should pay for them. We didn't want them.[24]

Much of the gap between expectation and realization came from unpreparedness. The postcolonial Africans had no experience of self-government, and their rulers enjoyed a legitimacy bounded by kinship networks and clientelist loyalties. Abruptly, these new nations were pressed into the corset of representative government, a form alien to their own traditions and unprepared by colonial paternalism. In some instances, this transition had been preceded by a war of liberation, which mobilized passion and identity. But the legacy was rule by a strongman, autocratic embodiment of the popular will, hence slayer of democracy. Stability depended on one man's vigor, and when he weakened or died (or was helped to die), the anarchy of the short-lived military coup followed.

The governments produced by this strong-man rule have proved uniformly inept, with a partial exception for pillage. In Africa, the richest people are heads of state and their ministers.[25] Bureaucracy has been inflated to provide jobs for henchmen; the economy, squeezed for its surplus. Much (most?) foreign aid ends in numbered accounts abroad.[26] These kleptocrats have much to gain by living in Switzerland, near their banks. But maybe money alone is not enough.

Basil Davidson gives us two case studies in incoherence. The first, Zaire (ex-Belgian Congo), was a skeleton of a state. The tyrant Mobutu Sese Seko ruled in the capital Kinshasa and a few other cities,

and in those localities where foreign companies were extracting mineral wealth. All of these paid him tribute, and his accounts in Switzerland were said to total billions of dollars. Between these few points of effective control, the only transport was by air, for the roads below are neither passable nor safe. Under Belgian rule in 1960, the Congo had 88,000 miles of usable road; by 1985 this was down to 12,000 miles, only 1,400 of them paved. But then dirt roads are better than holed and cracked hard surfaces. Paving is only as good as its maintenance.

Almost the whole of the country and the society was in but not of the pseudo-nation. In the east, foreign invaders were driving foreign refugees to their death while supporting rebellion against Kinshasa. In the capital, the parliamentary opposition denounced rebel plans and warned against a new despotism: "We are not getting rid of one strongman to replace him with another." The rebel reply: "If the opposition leader "wants to pilot a ship that is going down," he'd better learn to swim.[27] Meanwhile Western agents worked to persuade Mobutu into retirement (or keep him in office) while jockeying for influence with what might follow. The primary Western concern was to keep getting those minerals out. The French also wanted to keep Zaire in the francophone orbit, as though the dignity of France depended on it. (The Belgians had thrown up their hands long ago.) The Americans . . . well, it wasn't clear what might be the American interest, except maybe to "stick it" to the French.

In the midst of this anarchy, international relief agencies tried to keep refugees alive but had to break off every time marauders drew near. Some emergency supplies got in, but for whom? Some mineral resources were still getting out, but for whom? The capture by rebels in April 1997 of the country's diamond capital portended a change in regime. Without revenues, Mobutu could not pay his troops, now given to pillage (a soldier's got to live); nor could he hold the hearts of the great powers, even if he spoke French. Footnote: Zaire had vanished by then from the tables of the World Bank. This was prescient: the victorious rebels, after forcing Mobutu out in June, changed the name of the country back to (the Republic of) Congo.

The second case is Benin, formerly Dahomey. This country's biggest products from 1960 to 1989 were Marxist-Leninist propaganda and political coups. The official statistics showed product and trade as almost nonexistent. Yet Benin was planting and harvesting palm oil and peanuts. It simply did not yield up its product to the authorities or to official markets. Just about everything moved in parallel channels. These yielded the farmer more than he would ever get from an official marketing board, and the farmer bought off the swollen bureaucracy. On the record, then, Benin is an empty husk with big negative trade balance and negative growth; but it's really a smuggling machine.

The lesson one draws from these and similar instances is that Africa is not so badly off as it appears, just worse. Look at a photo or TV screen, at these prostrate fly-specked children, all bones, saggy skin, bulging eyes and belly, and you are overwhelmed by the misery. You *know* that the children you are looking at are dead by the time you see them. Look at another scene, especially in the picturesque pages of the *National Geographic*, and you marvel at the smiles and vigor of the dancers or traders in an exotic landscape. The continent bears witness to hope and hopelessness, courage and despair. Circumstances are appalling, but somehow people find ways to cope, survive, die, yet multiply.

Meanwhile the international placemen and experts sing their little songs of innocence and inexperience. "Adjustment" is the current refrain: a touch of freedom here, of market and exchange rate realism there, and things will be better, may even get well. One of the games economists play may be called "statistical misinference." Compare more or less comparable numbers from different countries and draw conclusions, past and future. So with Africa: as we saw earlier, comparing Nigeria and Indonesia, Africa has done less well than East Asian countries that started at a lower level. (One can make a similar invidious comparison between Turkey and South Korea.) But why not turn that around? If Indonesia could do so well, why not Nigeria? The same World Bank report that deplores African performance in 1965–90 cites Asian figures for 1965 ("conditions similar to those in Africa in 1990") to envisage African growth over the next quarter century. Equal levels at different times constitute for these experts similar conditions. Oh yes, the proportion of children in school was higher in Asia, but that is easily remedied. Otherwise, no problem. Of cultural and institutional differences, nothing.

News item: The United Nations, in collaboration with the World Bank and the International Monetary Fund, has announced a plan to raise $25 billion over the next decade, over and beyond what these international agencies can find (much to come from private sources), and invest it in African improvement.[28] At present twenty-two of the twenty-five poorest countries in the world are in Africa, and 54 percent of Africans live below the UN poverty line; what's more, Africa is the only region where poverty is expected to increase over the next ten years. How much can $25 billion do? Well, as of 1994, the debts of African nations totaled $313 billion (almost 2.5 times total export income), so the $25 billion could pay the interest for one year. In the meantime, of $231 billion in direct foreign investment in the Third World in 1995, some $2 billion, less than 1 percent, went to Africa. Businessmen know to go elsewhere.

No matter: accentuate the positive. The worse the situation, the greater the potential for improvement. Better policies (structural adjustment) can/will put Africa back on the growth track. But there would still be lots to do. The continent's problems go much deeper than bad policies, and bad policies are not an accident. Good government is not to be had for the asking. It took Europe centuries to get it, so why should Africa do so in mere decades, especially after the distortions of colonialism? And how about no government? At the moment, for example, Somalia is a political vacuum: even if one wants to send help, what address to send it to? "We don't even know how to send them a message."[29]

In a fragile world, good policies are hostages to fortune. In Africa, as in much of the world only more so, the clocks go backward as well as forward.

Country Interrupted: Algeria

One of the most chastening exercises in economic history is to recall the expert prognoses of yesterday and appreciate their vacuity.

In the euphoria of the 1970s, when Algeria was raking in abruptly inflated oil revenues and, after South Africa, had the largest industrial base on the continent, a happy minister of industry predicted that Algeria would be "Africa's first, and the world's second, Japan." From his mouth to God's ear. Plant and equipment may not mean output, and output may not mean utility and salability. Like other developing nations before it, including those in nineteenth-century Europe, Algeria set about creating a modern industrial infrastructure. Like some of them, it aimed especially to promote heavy industry, the more so as good socialist doctrine saw that as the only way to go. Comparative advantage (a bourgeois-capitalist doctrine) be damned.

All of this costly, state-owned apparatus featured overemployment, inefficiency, nonmarket prices, and cooked books. Just about none of the industrial product was exportable, and even in the captive domestic market, much was unusable or liable to rapid deterioration. The factories went rapidly downhill. Many stood idle or lay underused for want of maintenance and spare parts. Cannibalization, always the accomplice of poor repair, consumed equipment before its time. Manufacturing output fell by 1.9 percent per year from 1980 to 1992; and sank from 15 to 10 percent of GDP in the quarter century from 1970 to 1992.[30]

Meanwhile population tripled in the thirty years after independence (10 million in 1960, 27 million in 1993), in spite of substantial emigration to Europe. The ambitious revolutionary government encouraged big families in order to enhance military power and international influence, and reproduction turned out to be the one efficient branch of production. Unfortunately, children have to grow up to produce, and this rapid increase (almost half the population is now under fifteen years of age) has imposed a heavy if temporary burden. Birth promotion, for example, implied a big investment in education, yet 43 percent of the population were illiterate in 1990, and 55 percent of the women.* It also presupposed an abundant food supply, but the country has not added to its arable land (the same 2.9 percent of the area as in 1910), has made a mess of collective farming, and can no longer feed itself. Algeria imports increasing quantities of basic and not-so-basic foods (cereals, milk, sugar, bananas, cooking oil) and subsidizes them for consumers.

While at it, the government has also imported consumer durables and sold them to favored insiders at concessionary prices. Highly coveted contracts to furnish such goods have become the object of keen competition among foreign suppliers. One might have expected the bids and counterbids to yield lower prices; on the contrary, they have yielded bigger bribes. And big as these are, they are but a small part of a much larger pool of privatized state funds. Algerians speak of \$26 billion (10^9) in secret bank accounts abroad.[31]

Cover of imports by exports was running in the early 1990s between 3 and 10 percent, coming almost entirely from oil and gas

* Algerian nationalists would now lay the blame for illiteracy on the French. Half the population, they say, was literate when the French came in 1830, but the French shut indigenous schools and admitted almost no Muslims to their new state schools. It takes willful credulity to believe that 50 percent figure (presumably none of the women and all of the men).

shipments. That may seem like little, but remember, two thirds of these oil revenues, as well as other export income, go to pay interest on the debt. (The oil, in other words, is mortgaged, and reserves are dwindling fast.)[32] Again, Algeria could, like any other sovereign country, tell its creditors to get lost. But it needs to borrow more, if only to feed itself. The IMF has offered the usual "structural adjustment" financing: We will pay you to change your ways. The Algerian government has accepted with alacrity: We will change our ways. Besides, we owe so much, a little more can't hurt.

French-educated Algerian observers have compared the country to the grasshopper of La Fontaine's fable:

> Que faisiez-vous au temps chaud? . . .
> Je chantais, ne vous déplaise.
>
> *What were you doing when it was warm? . . .*
> *I sang, I hope you don't mind.*[33]

Fortunately for Algeria, the IMF is not so hard and exigent as La Fontaine's ant: *"You sang, eh? I like that. Well, now dance."*

It won't be easy for Algeria to change. State socialism is not only a mode of production; it is a symbol and legacy of the revolution, an "irrevocable commitment" (to cite the original constitution), an egalitarian ideal, the banner under which Algeria has played a major role in Third World political movements.

In the last few years, the country has faltered and festered. Almost three quarters of the young men from seventeen to twenty-three years of age are unemployed. These are the "wall people," so called because they have nothing to do but lean against a wall and watch the street go by. They are a pool of resentment, brooders of dark fantasy, bomb and gun fodder. Civil war has killed more than sixty thousand people. Untimely death is never pleasant, but rebels in Algeria have gone out of their way to be cruel, dispatching victims whenever possible by cutting their throat. This saves bullets and supposedly brings the killer nearer to God.[34]

Much of the death has been random, the victims innocent passersby, many of them women and children. But Islamist terrorists have particularly targeted "shameless women" and key personnel: trained jurists and bureaucrats, foreign technicians, intellectual leaders. In this way, they roll back any progress toward freedom of thought and gender equality. Outsiders are particularly vulnerable: a few exemplary murders can discourage the rest and persuade them to leave. (Compare the effect of attacks on foreign tourists in Egypt.) The state responds with its own violence: torture, rape, murder. Presumably an end will come—on which side of the line, no one can say. Meanwhile the secular, francophone elements flee to France. The French do not want them, in part because Algerians bring the struggle with them. France has already had its premonitory explosions of Algerian terror.

From Leftist Scholar to President of Brazil: The Advantages of Realism

For years Fernando Henrique Cardoso was a leading figure of the Latin American dependency school, ideological flagship of anticapitalist anticolonialism. The doctrine had first been defined by the Argentine Raoul Prebisch, who drew his inspiration from center-and-periphery theories of European and American exploitation of weaker economies overseas; and it found powerful resonance in countries aggrieved by the growing gap between rich and poor. In the 1960s and 1970s, the sociologist Cardoso wrote or edited some twenty books on the subject. Some of them became the standard texts that shaped a generation of students. Perhaps the best known was *Dependency and Development in Latin America*. In its English version, this ended with a turgid, less-than-stirring credo:

> The effective battle . . . is between technocratic elitism and a vision of the formative process of a mass industrial society which can offer what is popular as specifically national and which succeeds in transforming the demand for a more developed economy and for a democratic society into a state that expresses the vitality of truly popular forces, capable of seeking socialist forms for the social organization of the future.[35]

Then, in 1993, Cardoso became Brazil's minister of finance. He found a country wallowing in an annual inflation rate of 7,000 percent. The government had become so inured to this monetary narcotic and Brazilians so ingenious in their personal countermeasures (taxis used meters that could be adjusted to the price index, and perhaps to the client) that serious economists were ready to make light of this volatility on the pretext that the certainty of inflation was a form of stability.

This may have been true for those Brazilians able to take precautions; but inflation played havoc with Brazil's international credit, and this country needed to borrow. It also needed to trade and work with other countries, especially those rich, capitalist nations that were marked as the enemy. So Cardoso began to see things differently, to the point where observers praised him as a pragmatist, "without a strong ideological core."[36] Gone now were the anticolonialist passions; gone the hostility to foreign links, with their implicit dependency. Brazil has no choice, says Cardoso. If it is not prepared to be part of the global economy, it has "no way of competing. . . . It is not an imposition from the outside. It's a necessity for us."[37]

To each time its virtues. Two years later Cardoso was elected president, in large part because he had given Brazil its first strong currency in many years: the *real,* rated at slightly more than a dollar. The *real* is still there, and what a boost to national pride: more than a dollar!

Epilogue: A stable currency does not cure all. As of mid-1996, public finances showed a larger deficit; export growth had slowed; real product fell in the first quarter; real interest rates, though lower, were still prohibitive; and productivity gains in manufacturing had fallen sharply, indeed, to negative rates in such key sectors as metallurgy, machinery, and textiles in 1995.[38]