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Book Symposia


Deirdre McCloskey*

If John Gray’s recent book *False Dawn: The Delusions of Global Capitalism* (1998) is the best case to be made against globalization, then the prosecution is in trouble. It’s a fair test I think. The book is well written. Gray, a British political philosopher gone journalistic, is never clotted or obscure. The argument is always at least intelligent. Gray is no dope. He offers the best brief for an exceptionally bad case.

What makes the book tiresome, what makes one want to skip whole chapters, and read topic sentences, six a page, is its relentless editorializing. The standard of proof never rises above that required in the average *Economist* editorial. Historical nonsense, economic *non sequitur*, political special pleading crowd the page. As in the *Economist*, a salient fact or canny judgment occasionally intrudes. But imagine a decade’s worth of editorials slapped between covers. The level of passion required is too great for any but the most self-satisfied ideologue happening to agree precisely with Gray. As Strunk and White put it in their classic little book on writing, “To offer gratuitous opinions is to imply that the demand for them is brisk.” If you hate globalization, hate free markets, hate Milton Friedman, hate the United States, hate the Enlightenment [sic], then you

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are going to revel in Gray’s opinions, and wish to buy them in bulk.

First published in Britain in the spring of 1998, the book is reissued here with a Postscript commending itself for presence. In his anti-free market passion Gray is not to be understood as a socialist. On the contrary, he is something older, a cameralist, a mercantilist, a conservative intent on “protection.” Don’t change anything. Tradition is our best guide. Thus against the Enlightenment: “The former Soviet Union embodied a rival Enlightenment Utopia,” rival to the “Washington consensus” of universal Coke (the drink and cocaine, one might say). Gray is a conservative, advocating “indigenous types of capitalism that owe little to any western [and especially American] model.” In line with the European conservative tradition since Burke he gives short shrift to freedom in the modern sense of autonomy. He is scornful of the modern family, for example, in which women are free to work and to divorce. Almost every traditional institution, from indissoluble marriage to the Japanese zaibatsu (family cartels) gets an approving nod. One is disappointed that he does not go all the way and praise the burning of widows.

“Social stability” is his heavenly city. In making a good society “human needs for security and the control of economic risk” dominate every other consideration. Can we achieve security the way we have in fact achieved it since the 18th century, through the enrichment of the market, leaving us with a diverse portfolio of capitalist activities? No, no, no: anything but the market. One is put in mind of the numerous former East Germans who now vote Communist. “The natural counterpart of a free market economy is a politics of insecurity.” In the name of security Gray commends monopolistic retailing in Japan, hopes for continued undemocratic governments in China, looks with nostalgia back on the Mexico of old as “an exceptionally stable Latin American country,” and has a good word to say for “radical Hindu movements which contest the belief that modernization in India must mean further westernization.”

Where is all this reaction coming from? From the profound hostility to free markets that has characterized Western intellectuals since 1848. It is all of a piece—Dickens in *Hard Times* viewing Northern factories with alarm, Sinclair Lewis in *Babbitt* sneering at the Midwestern bourgeoisie, and our John Gray appalled at Nike and Disneyland, all of them outraged by the novelty, the unpredictability, the sheer, horrible instability of it all.

Gray’s main man is the Hungarian economic historian Karl Polanyi (1886–1964) in the book than the scant four citations one to expect. Gray is Polanyi Redux, critical to Polanyi’s in *The Great Transformation* capitalism is said above all to be modern England (Gray extends this to tries). For page after page Gray retells howlers unimproved, such as that Parl alated large estates and proletarianized ovtryside (on the contrary, both large estate workers were fully formed a century before, Poston long ago showed that in the 13th century the population of the countryside sub work, not serf land) or that the New Polony market (on the contrary, labor was man times). “Mid-nineteenth century Eng words redolent of his anti-capitalist mar far-reaching experiment in social engi nomic life from social and political contr more socially rooted markets.” “Social Gray’s mind to diversity of culture. No the World Trade Organization, the IMF t on McDonaldizing the world. Gray abo invisible hands, and especially that Polanyi meets George Soros.

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Gray’s main man is the Hungarian-American journalist and
economic historian Karl Polanyi (1886-1964), who bulks larger
in the book than the scant four citations in the index would lead
one to expect. Gray is Polanyi Redux.1 His argument is identi-
cal to Polanyi’s in The Great Transformation (1944). Free-
market capitalism is said above all to be unnatural, peculiar to
modern England (Gray extends this to the “Anglo-Saxon” coun-
tries). For page after page Gray retails Polanyi’s historical
howlers unimproved, such as that Parliamentary enclosure cre-
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the population of the countryside subsisted mainly on wage
work, not serf land) or that the New Poor Law created the labor
market (on the contrary, labor was marketed in early medieval
times). “Mid-nineteenth century England,” writes Gray in
words redolent of his anti-capitalist master, “was the subject of a
far-reaching experiment in social engineering . . . to free eco-
nomic life from social and political control . . . by breaking up the
more socially rooted markets.” “Social rooting” is connected in
Gray’s mind to diversity of culture. Nowadays, Gray laments,
the World Trade Organization, the IMF, and the OECD are in-
tent on McDonaldizing the world. Gray’s is a global anxiety
about invisible hands, and especially the American hand. Karl
Polanyi meets George Soros.

“Democracy and the free market are rivals, not allies,” con-
tra Milton Friedman, because people want Protection. The “pro-
ective” role is “the raison d’etre of governments everywhere.”
I’m from the government and I’m here to protect you. Like
Polanyi, Gray notes the core political tension of laissez faire: “the
swift waxing and waning of industries and livelihoods,” he ar-
gerues, “triggers political countermovements that challenge the
very ground rules” that produced them in the first place. (The
countermovement, by the way, is what Polanyi meant by “the
great transformation”; Gray commits the usual error of thinking
that the industrial revolution itself is what Polanyi meant by
the phrase). It is, as Gray notes, Schumpeter’s point, and Daniel
Bell’s, this ideological contradiction within capitalism: “Capit-
alism,” wrote Schumpeter in justification of his passivity in the
face of socialism’s triumph c. 1945, “creates . . . a mentality and

1. See Santhi Heehebu and Deirdre McCloskey, The Reproofing of Karl Po-
lanyi (forthcoming).
a style of life incompatible with its own fundamental . . . institutions.”

Gray has notably benign view of regulation. In his imagined Well Regulated Economy of Ye Olden Times, “the markets were regulated so that their workings were less inimicable to social stability”: thus the social stability of preventing free movement of labor that Adam Smith railed against; or the social stability of blockaded entry to retailing which clots the economies of Europe and Japan. Gray is an extreme Keynesian, a new mercantilist, a Patrick Buchanan of the lamp. To fend off “a late modern anarchy” (his view of free markets) he looks forward to “global regulation” (in the end this vague promise has dissolved into mere bitter preaching against American hegemony, for Gray has no world government in mind). “The reality of the late twentieth-century world market is that it is ungovernable by either sovereign states or multinational corporations.” Then how is “global regulation” going to be possible? We are never told. What Gray relies on is a collapse—under his own prodding, one supposes—of the Washington consensus (namely, that the American way should become the world’s way, a vision he correctly identifies with Wilsonian idealism and the United-Fruit imperialism).

What is strange is that he nowhere acknowledges what Adam Smith taught in his book inventing political economy, that “protection” and “regulation” normally mean subsidies for a few politically agile merchants. He defends the Japanese corner store as the glue of urban life, but fails to note that it constitutes a government-protected monopoly for the owner. He wants protection but does not specify how we are to be protected from the protectors. Quis custodiet custodiem? Louis Brandeis’ Supreme Court brief in Muller v. Oregon (1908) “showed” statistically that women could not possibly work more than 10 hours a day, and swayed the court to revise the doctrine of Lochner v. New York (1905) that the market should judge. Brandeis and other Progressives “protected” women. Thanks very much, guys. But the law’s protection then made supervisory positions for women impossible for decades after, and kept women in unskilled jobs long past what the market wished. Most people think that American workers have benefited from protection. Did we get the 40-hour week because richer workers demanded more leisure hours, trading off pay for hours? No, the conservative

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progressives say. We got it because of the eight-hour movement
and Walter Reuther. Do people have good housing because tech-
nological change has made them vastly richer than their great-
great-grandparents? No. We got it because of zoning and building
codes introduced in the early 20th century. Does the modern
standard of living in rich countries come from being smarter
about electricity and plastics and machine tools and steel and
corporate organization and technical education? No. It comes
from the government enforcing a higher standard.

Gray thinks what anti-marketeers have thought these two
centuries past, that technological advances does not depend on
free markets. So we can protect local tradition and have our
technological cake, too. "Technology-driven modernization of
the world's economic life will go ahead regardless of the fate of a
worldwide free market." On the same grounds Soviet Commun-
ism insisted that technology could detach from the free-market
environment which spawned it. In Marxist theory and in John
Gray the fruits of the bourgeoisie can be plucked with no loss to
the tree. One doubts it.

The notion of "social markets" touted in Gray is based again
on Polanyi: under laissez faire, Polanyi claimed, "instead of econ-
omy being embedded in social relations, social relations are em-
bedded in the economic system." 6 The claim is mistaken.
Markets everywhere depend on society. Free-market capitalism
is no exception. Contrary to the Adam Smith tie ideologues on
the one side and Gray and his anti-capitalist friends on the
other, markets are nothing like amoral. They work through
structures of ethical integrity. 7

"America is no longer a bourgeois society," Gray writes. "It
has become a divided society, in which an anxious majority is
wedged between an underclass that has no hope and an over-
class that denies any civic obligations. In the United States to-
day the political economy of the free market and the moral
economy of bourgeois civilization have diverged—in all likeli-
hood permanently." What is true in this is that the ideology of
Country Club Republicanism ("Hey, I've got mine") has got
mixed up in people's minds with the ethical requirements of a
market society. The men in the Adam Smith ties have not read
a page of Adam Smith, and so believe that we can get along with

4. See JOHN MUELLER, CAPITALISM, DEMOCRACY, AND RALPH'S PRETTY
GOOD GROCERY (1999). See also D.N. McCloskey, Bourgeois Virtue 63 Amer.
Scholar 177-191 (Spring 1994).
Prudence Only. But Smith was a realist as well as a professor of moral philosophy. He saw that society actually does work through a set of virtues, regardless what single virtue its politics may celebrate for the moment—Courage in 1917, Love in 1936, Prudence in 1990. It still does. Markets still encourage the virtues Adam Smith admired, as the philosopher Samuel Fleischacker has recently reminded us.6 The productivity of office or factory or market deal still depends on trust.

Gray believes there are “new types of capitalism, most of which differ sharply from the free market.” He argues that “when new technologies enter . . . they will interact with indigenous cultures to generate types of capitalism that have not hitherto existed anywhere.” In one way he is surely correct—in the way that world music, for example, has caused local music from Nigeria to Chicago to flourish. The mistake in the belief, though, is characteristic of non-economists such as Polanyi viewing the economy. Nigerian music may differ from Chicago blues, but both respond to CD sales. For purposes of many sorts of economic behavior—not all—capitalism is capitalism is capitalism, whether dressed in striped shirt and suspenders or a sari and sandals. The question is whether the difference between, say, German-style participation of workers in corporate decisions and American-style dominance of shareholders’ equity matters much. Can Krupp ignore expected future profits? Well, no. So much for the notion that worker participation radically alters a policy of a healthy bottom-line. Can General Motors ignore disaffected workers? Well, no. So much for the notion that shareholder equity makes considerations of worker morale irrelevant. One wishes that Gray had an inkling that his beloved institutional differences might not make much difference.

One turns with relief to Thomas Friedman’s The Lexus and the Olive Tree: Understanding Globalization (1999). Friedman is a reporter for The New York Times, with stints in the Holy Land for UPI, now assigned to cover just what he’s reporting in the book. That’s the key: reporting. Instead of the opinion loosely based on fact that we get in Gray, Friedman tells us facts we didn’t know, or knew but didn’t appreciate. Instead of dubious editorials based on erroneous history Friedman provides columns of news. It’s the difference between a philosophical method and a scientific one. Lawrence Summers, the crown prince of modern economics (he has two uncles with Nobel prizes in the field) and the new Secretary of the Treasury, is Friedman’s guru. The contrast with Gray could hardly be sharper. Polanyi’s was the theme that democracy and capitalism looked both sides of the world after 1989 in which both had to be torn asunder. You can get an impression of Friedman’s editorial coinage. The “Lexus” of the title refers to a luxury automobile of that name, made by robots in the Middle East, is the old forms of political ownership for which scrap of land: half the workers in the same country, sometimes half the same company, sometimes half the same country, sometimes half the same firm, and it’s the fight over own which oil is in the world. Friedman’s purpose is to bring more of the world into the sum game that globalization is.

The stampeding of his “Electronic Herd” faster and faster. The Herd is composed of a mix of those who punish instantly a stupid piece of government: notes that when in 1999 the French government cut working hours from 35 hours a week to 32, the French government would fall to 35 hours with no loss of productivity, on international grounds; is Herd? “Though the Electronic Herd was built during the Cold War era, its members could never quite get to the speed or reach in that overly regulated Europe that was 1950 a French government imposing high taxes by lowering working hours would lose votes from French capitalists to French workers. More votes in more votes (this was one of the contradictions of democracy which globalization has solved). Not so the French government, though it slightly transfers investment and markets to foreigners. France comes down with a Cold War syndrome, “Immune Deficiency,” arising from “Cold War immunity.”

The result is the “Fast World,” a world where governments that govern the world, and governments: it is individual investors, wise and foolish, the market is similar to that in the late 1950s and immensely quickened. In 1900 people could develop and create, invest and buy wherever they pleased. Today people virtually as mobile, and more: companies were doing it now done in India. “Joining the global economy into the Electronic Herd is the equivalent of

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erro nent history Friedman provides col-the difference between a philosophical fic one. Lawrence Summers, the crown omics (he has two uncles with Nobel prizes in the field) and the new Secretary of the Treasury, is Friedman’s guru. The contrast with Gray and his guru Polanyi could hardly be sharper. Polanyi’s was the world of 1944, in which democracy and capitalism looked both to be failing; Summers’ is the world after 1989 in which both have prospered.

You can get an impression of Friedman’s book from his reportorial coinages. The “Lexus” of the title is the Japanese luxury automobile of that name, made by robots, and the “olive tree” of the Middle East is the old forms of politics, quarreling about who owns which scrap of land: “half the world—sometimes half the same country, sometimes half the same person—all is still caught up in the fight over who owns which olive tree.” Friedman’s purpose is to bring more of the world into the Lexus-making mentality, the positive-sum game that globalization stimulates.

The stampeding of his “Electronic Herd” forces the game faster and faster. The Herd is composed of investors who can punish instantly a stupid piece of government policy. Friedman notes that when in 1999 the French government required hours of work to fall to 35 hours with no loss in pay the companies cried foul, on international grounds: how are we to face the Herd? “Though the Electronic Herd was born and nursed in the Cold War era, its members could never gather the critical mass, speed or reach in that overly regulated, walled-up system.” In 1950 a French government imposing higher costs on its capitalists by lowering working hours would merely transfer income from French capitalists to French workers, and thereby garner more votes (this was one of the contradictions of modern democracy which globalization has solved). Now the same move instantly transfers investment and markets from French citizens to foreigners. France comes down with a bad case of “Microchip Immune Deficiency,” arising from “Cold War corporate models.”

The result is the “Fast World,” a creation of electronics (which Gray by contrast characteristically ignores), “super empowering” individuals and markets (that is collections of individuals). Friedman notes repeatedly that it is not really corporations that govern the world, and less and less is it governments: it is individual investors, wise or foolish. The outcome is similar to that in the late 19th century, though immensely quickened. In 1900 people could move without passpor ts and invest wherever they pleased. The internet has made people virtually as mobile, and more: computer programming is now done in India. “Joining the global economy and plugging into the Electronic Herd is the equivalent of taking your country...
public . . . [The ‘stockholders’] vote every hour, every day through their mutual funds,” Friedman argues what seems more and more to be correct, that few governments can stand up to such pressure. It’s not revolution, it’s “globulation,” revolution from beyond. Thus: “China’s going to have freedom of the press. Globulation will drive it. Oh, China’s leaders don’t know it yet, but they are being pushed straight in that direction.”

The leading image in the book is of “falling walls,” “the demise of this walled-off world,” the Berlin Wall being merely the most literal. Equally important to his story as the end of the Cold War is the breaking of the “walls” of capital controls and informational monopolies (one thinks of the doomed government monopolies of communication, as in Belarus or China, evadable with a cheap uplink to satellites or an internet connection by telephone). The “three democratizations” (of finance, of technology, and of information) have created a “Golden Straitjacket,” that is, a suit of clothes for modern global capitalism, one size fits all. As Lee Hong Koo, former prime minister of Korea, put it, “The big decisions today are whether you have a democracy or not and whether you have an open economy or not . . . But once you’ve made those big choices, politics becomes just political engineering to implement decisions in the narrow space allowed you within this system.” “The Cold War,” writes Friedman, “had the Mao suit, the Nehru jacket, the Russian fur. Globalization has only the Golden Straitjacket.” You can complain about it, in the style of John Gray, “but if you think that you can resist . . . without paying an increasingly steep price, or without building an increasingly high wall, you are deluding yourself.”

“To begin with,” Friedman says when he comes to policy, “we need to proceed slowly and humbly.” A refreshing attitude. “As for those who have proposed that we put a little ‘sand in the gears’ of this global economy to slow it down a bit, my response would be that I don’t think it is ever very wise to put sand in the gears of a machine when you barely know where the gears are,” and quotes Alan Greenspan as telling him in 1998 that he, Greenspan, had “learned more about how this new international system works in the last twelve months than in the previous twenty years.” If forced to policy Friedman would call himself an “Integrationist Social Safety Netter,” that is, in favor of world market integration (as Dick Gephart and Ross Perot are not) but also in favor of using the government (that capable and honest and transparent institution) to help the victims, using the gains from integration (as Newt Gingrich and McCloskey, are not).

Protectionism comes in a lot of guises nowadays is what the Pope said a while back; globalization is a threat to worker welfare witness Gray—often tied to that anti-globalism. What’s supposed to be big news American wages in Thailand or Internationl-United-Autoworkers-style labor relations excuse me, but modern economic growth has done more for workers and the environment and government inspectors, regulators, accountants. We Americans are rich not because we were externally a protectionist country, but because on the whole we have let capital flow in and expanded our trade. Hurrah for economic orthodoxy.

The same enrichment will be the next fifty years. In fact is has been the past fifty years as the Harvard economist Jeffrey Williamson have argued. The big rise in global 1800—yes, global income—despite a fictio- tion (so much for Malthus) is not attributable to any of its forms, domestic or international trade. Hurrah for economic orthodoxy.

Even in the short run a policy of let them eat in Thailand or Indonesia or Mexico is not the Pope and John Gray and Barry Commoner’s ideal. Nike pays top Thai wages, Inter-Tel in the environment at the express invitation of the G.M. accepts local working conditions if they are better than their American counterparts. But workers a better deal than the one they get? But the main point is that in the last twenty years the Indonesians and Mexicans are brought into the global economy with incomes per head that permit additional families, expanded education, and all sorts of human impact that modern economic growth South Korea. It’s hardly “exploitation,” normal economic development.
stockholders] vote every hour, every day, and decide how much to fund it. Friedman argues that what seems clear, that few governments can stand up to revolution, it's "gobulatation," revolution: "China's going to have freedom of the press to drive it. Oh, China's leaders don't know how to be pushed straight in that direction." The book is of "falling walls," "the cold war," the Berlin Wall being merely the most important to his story as the end of the Cold War, the walls of capital controls and policies (one thinks of the doomed government takeovers, as in Belarus or China, evadable to satellites or an internet connection by the democratisation) (of finance, of technology) have created a "Golden Straitjacket," visas for modern global capitalism, one size fits all, former prime minister of Korea, put today are whether you have a democracy or have an open economy or not . . . But once choices, politics becomes just political entail decisions in the narrow space allowed by it." "The Cold War," writes Friedman, "has a great deal on the Russian fur. Globalization is a straitjacket." You can complain about it, in it, "but if you think that you can resist . . . reassuringly steep price, or without building a wall, you are deluding yourself."

Friedman says when he comes to policy, "slowly and humbly." A refreshing attitude. He proposed that we put a little sand in the economy to slow it down a bit, my response is ever very wise to put sand in the equations you barely know where the gears are," transposing as telling him in 1998 that he, and more about how this new international system lasts twelve months than in the previous to policy Friedman would call himself a "Safety Netter," that is, in favor of world no-frills (Dick Gephardt and Ross Perot are not) but the government (that capable and honest) to help the victims, using the gains from integration (as Newt Gingrich, and let it be said, Deirdre McCloskey, are not).

Protectionism comes in a lot of forms. The most popular nowadays is what the Pope said a while ago in St. Louis, that globalization is a threat to worker welfare. You hear it a lot—witness Gray—often tied to that Son of Socialism, environmentalism. What's supposed to be bad is that Nike doesn't pay American wages in Thailand or International Paper doesn't follow the American EPA's rules in Indonesia or G.M. doesn't have United-Autoworkers-style labor relations in Mexico. Well, excuse me, but modern economic growth in its global form has done even more for workers and the environment than any army of government inspectors, regulators, customs officers, or IRS accountants. We Americans are rich not because of unions or antitrust or the Occupational Health and Safety Administration but because on the whole we have let capitalism work. Until 1945 we were externally a protectionist country, but with a tiny share of foreign trade in national expenditure. In our enormous internal market we allowed little "protection."

The same enrichment will be the story of the globe in the next fifty years. In fact is has been the story now for 200 years, as the Harvard economist Jeffrey Williamson and his associates have argued. The big rise in global income per head since 1800—yes, global income—despite a fivefold increase in population (so much for Malthus) is not attributable to protection in any of its forms, domestic or international. Hurrah for free trade. Hurrah for economic orthodoxy. Hurrah for the Lexus.

Even in the short run a policy of letting capitalism work in Thailand or Indonesia or Mexico is not so obviously evil as the Pope and John Gray and Barry Commoner would have you believe. Nike pays a top Thai wages, International Paper assaults the environment at the express invitation of the Indonesian, and G.M. accepts local working conditions in order to give Mexican workers a better deal than the one they have now. What's the beef? But the main point is that in the long run the Thais and Indonesians and Mexicans are brought into a world economy with incomes per head that permit adequate nutrition, small families, expanded education, and all the other increases in human scope that modern economic growth has brought to, say, South Korea. It's hardly "exploitation," hardly grounds for papal viewing with alarm. I know it's a terrible thing that in the meantime the stockholders earn profits. But there you have it: in exchange for the nasty profits the whole world becomes rich.
The capitalist deal is: Let me make profits and I’ll make you rich.

Globalization encourages the capitalist engine of growth. If people understood how generous the engine has been they would have less enthusiasm for protectionism or socialism or environmentalist or economic nationalism in any of their varied forms. Most educated people believe that the gains to income from capitalism’s triumph have been modest, that the poor have been left behind, that the Third World (should we start calling it the Second?) has been immiserized in aid of the enrichment of the First, that population growth must be controlled, that diminishing returns on the whole has been the main force in world economic history since 1800. All these notions are factually erroneous. But you will find all of them in the mind of the average professor of political philosophy.

Angus Maddison is an economic historian born in Britain, who just left a professorship in northern Holland, who lives in Southern France, and whose main work has been sponsored by the Organization for Economic Cooperation and Development in Paris. His astonishing compilation of national income statistics worldwide, Monitoring the World Economy, 1820-1992 (1985) gives a way of measuring the generosity of the capitalist engine. The central fact is well illustrated by the United States. From 1820 to 1994 the real per capita income of the United States increased by . . .

Well, go ahead, take a guess. What would you say? What is the rough magnitude of modern economic growth, 1820-1994, from Monroe to Clinton? What are we really talking about when we claim that globalization offers the world’s a poor a chance to be better off? Take a guess, testing how close you come to the educated person’s misunderstanding of the capitalist engine.

Fifty percent? A hundred percent, a doubling since the days of the Federalists? All right, 200 percent, a tripling?

No. Sixteen hundred percent. An increase by a factor of 17. In 1820 the average American, slave and free, produced $1290, expressed in 1900 dollars, a little below the present average for Africa. In 1995 she earned . . . $22,500. You can say all you wish about the sick hurry of modern life, and how we can’t see the sunset in Los Angeles (in fact the environment has markedly improved in the past century: air is cleaner; more people can get to the countryside). But the factor of 17 represents an enormous freeing of people from drudgery and fear and, yes, insecurity.

Maddison’s tables can be arranged this way:

<table>
<thead>
<tr>
<th>Year</th>
<th>1990 GDP/capita $ (p. 228)</th>
<th>Comparable country (pp. 194-195)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1820</td>
<td>$650</td>
<td>Bangladesh</td>
</tr>
<tr>
<td>1870</td>
<td>900</td>
<td>(below Africa)</td>
</tr>
<tr>
<td>1913</td>
<td>1500</td>
<td>Pakistan</td>
</tr>
<tr>
<td>1950</td>
<td>2100</td>
<td>Philippines</td>
</tr>
<tr>
<td>1992</td>
<td>5100</td>
<td>Mexico</td>
</tr>
</tbody>
</table>

Source: A. Maddison, Monitoring the World Economy.

That’s a very good thing, to go from the level of hope. Notice the acceleration—higher in the past ten years)—except for deglobalization, of protection, of foreign. Notions of economic nationalism now recede from the shoulders of the East Asian Co-Prosperity Sphere, the Lexus instead of the Lexus.

As the first industrial nation and the first British went from $1800 in 1820 to doubling in the face of exploding populating the half century in which the Europe went from the US in 1905, Australia in 1906; late back into protectionist comfort). The all the compla秦皇国 was “failing.” Britain wobbles upward with the other countries in a band plus or minus a few percent less than the average—excepting the big, rich nations—of consensus on external and internal free trade 30 percent above the rest. So much for every one of the “Anglo-Saxon” leaders of industrialization.

Japan in 1870 was roughly at the per capita level of income per head, the same as Britain: it had attained the level of US income per head (and was double Brazil’s). In 1994 it had income 10 years before (four times convergence through imitation, saving, ed.
encourages the capitalist engine of growth. If grows as has been they would seem for protectionism or socialism or environmentalism in any of their varied forms. I believe that the gains to income from capital have been modest; that the poor have been left behind; and World (should we start calling it the S) has been the main force in world economic All these notions are factually erroneous. I mean in the mind of the average professor.

is an economist born in Britain, the son-in-law of his country. His main work has been sponsored by the Inter-American Development Bank. He has compiled national income statistics for the World Economy, 1820-1992 (1995) and the World Bank. He has been instrumental in the understanding of the capitalist engine. All his work is illustrated by the United States. From the data, he argues that the average income of the United States is double that of the world as a whole.

Let me make a guess. What would you say? What is the rate of modern economic growth, 1820-1994, roughly? What are we really talking about when we talk about the rate of growth? How do we measure it? Do we use GDP per capita or GDP? What do we mean by "average income"? Do we mean average income in the United States or average income in the world as a whole? How do we compare the average income of the United States with the average income of the world?

<table>
<thead>
<tr>
<th>Year</th>
<th>World GDP/capita In $ (p. 228)</th>
<th>Comparable country now (pp. 194-206)</th>
<th>World population in billions of people (p. 226)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1820</td>
<td>850</td>
<td>Bangladesh</td>
<td>1.1 billion</td>
</tr>
<tr>
<td>1870</td>
<td>900</td>
<td>(below Africa)</td>
<td>1.3</td>
</tr>
<tr>
<td>1913</td>
<td>1500</td>
<td>Pakistan</td>
<td>1.8</td>
</tr>
<tr>
<td>1950</td>
<td>2100</td>
<td>Philippines</td>
<td>2.5</td>
</tr>
<tr>
<td>1992</td>
<td>5100</td>
<td>Mexico</td>
<td>5.4</td>
</tr>
</tbody>
</table>


That's a very good thing, to go from the level of desperation to the level of hope. Notice the acceleration (which has ramped up higher in the past ten years)—except for 1913-1950, that era of deglobalization, of protection, of foreign policy governed by notions of economic nationalism now recommended by Gray, and of the wars that come from the mercantilism of Lebensraum and the East Asian Co-Prosperity Sphere, the politics of the olive tree instead of the Lexus.

As the first industrial nation and the champion of free trade Britain went from $1800 in 1820 to $3300 in 1870, nearly doubling in the face of exploding population—during precisely the half century in which the European avant garde turned against free markets. British income per head was above all others until the New Worlds exceeded it (New Zealand in 1903, the US in 1905, Australia in 1906: later the Antipodes slipped back into protectionist comfort). The rest of Europe did not catch up until after World War II—all the while the avant garde complaining that Britain was “failing” economically. Now Britain wobbles upward with the other advanced industrial countries in a band plus or minus a few percentage points from the average—excluding the big, rich nation of the Washington consensus on external and internal free trade, which persists at 30 percent above the rest. So much for economic “failure” among the “Anglo-Saxon” leaders of industrialization.

Japan in 1870 was roughly at the present-day Bangladeshi level of income per head, the same as Brazil’s in 1870. By 1930 it had attained the level of US income per head 60 years before (and was double Brazil’s). In 1994 it had attained the US income 10 years before (four times Brazil’s). It was a convergence through imitation, saving, education, work. Which
then its former colony South Korea repeated. Korea’s income in
1952 was a desperate $860 in 1990 prices. Now it is $10,000.

If we can hold off the protectionism of Gray and company
the whole world can be rich. Recently some economists have
become fascinated by a sandbox game called models of
“endogenous growth.” The idea is that countries are like trees,
growing from within, constrained by their pasts. It’s an old idea,
a descendant of the stage theories that have entranced
European intellectuals since the 19th century. By contrast,
economic historians have long realized that a country-by-
country analysis of growth is wrong and that the stages of
economic growth make no sense. The reason stages make no
sense is that the “trees” can borrow mature foliage from each
other: they do not have to grow their own. If India can restrain
its Gandhian impulse to throttle the market it can adopt
American ways of retailing and Japanese ways of manufacturing
and German ways of chemical brewing and enter
the modern world of human scope. India does not need to repeat
the stages through which Britain and France have traveled.
Countries are not “like trees” or “like people growing up.”

There is no racial or cultural reason why India cannot in
five or ten decades have an American standard of living. And
there are a billion reasons why it should, and can, if it will don
the Golden Straitjacket. John Gray’s protectionist vision is
pessimistic, foreseeing a world in which political elites have
chosen an Indian Way or an African Way and left their
populations impoverished. Thomas Friedman’s vision by
contrast is optimistic, as is mine. He and I see the 21st century
as a grand alternative to the Century of Protection (and
Slavery) just concluded. We see people voting with their feet
to escape from some village elder’s idea of how to live, or some
London School of Economics graduate’s idea of protecting Indian
folkways. We think it unlikely that governments can stop
globalization. For which great thanks onto the Lord.

Alfred E. Eckes*

Globalization has replaced the Cold War as the unifying
theme of our era. Absent another great war or some type of eco-
nomic catastrophe, it has the potential to last even the next millennium. Not so
read the news without finding a political pundit commenting on this trend.

For those seeking an introduction to the subject, the books by Thomas L. Friedman
merit interpretations and fascinating
New York Times foreign affairs corres-
ddent, Thomas Friedman. For him globalization
is a free-market capitalism to virtually ever-
the rules of the new system, he says, is
deregulation, and privatization. He views
sequence of globalization as “the spread of
Big Macs to iMacs to Mickey Mouse—or
acknowledging that the new trend pose
Friedman generally adheres to the position
our “main hope for salvation.”

Integrated global financial markets—
disciplining nations and bringing a rea-
something Friedman calls “globalution.”
value “stability, predictability, transparency,
transfer and protect private property from
confiscation.” To achieve these objectives
that developing countries become more tec-
cratic. In accepting the constraints of the
“golden straitjacket”—Friedman says na-
pacity for war-making. Using the spread
proxy for the power of globalization, he se-
tries that both had McDonald’s had fought
other since each got McDonald’s.” Of course
quickly demolished that theory, but Fried-
ception to prove the strength of his rule.

In British historian John Gray’s account
powerful antidote to Friedman’s bullshin
“Washington consensus” that the world’s
global free market and democratic capitalism
thinks that the spread of economic globalization
the global laissez-faire regime. With

* Ohio Eminent Research Scholar in Contemporary History, Ohio
University. Commissioner (Chairman 1982-84) of the U.S. Internation
Woods and the International Monetary System, 1941-1971 (University of
Texas Press, 1975); The U.S. and the Global Struggle for Minerals (Uni-
vity of Texas Press, 1979); Opening America’s Market: U.S. Foreign
Trade Policy (University of North Carolina Press, 1995); and with
will be published by the Ohio University Press in spring 2000. He will
be President of the International Trade and Finance Association.