

## The Fall of the West



BOOKS

*The Future Of Capitalism: How Today's Economic Forces Shape Tomorrow's World* by Lester Thurow.  
Nicholas Brealey, 21 Bloomsburg Way,  
London. £16.99.

Say this about Lester Thurow: He thinks big thoughts, and he writes with energy and clarity. It's difficult to read his books—best sellers like *The Zero Sum Society*, about the pernicious nature of competition when there is no economic growth, or *Head to Head*, about brutal trade competition among the United States, Europe and Japan—and not be stimulated.

Often, however, he's dead wrong. In *Head to Head*, for example, Thurow brilliantly analyzes the changing landscape of international trade, and concludes that Western Europe will emerge more competitive than either America or Asia.

*The Future of Capitalism* follows a similar pattern. Thurow identifies the fundamental forces at play in the late 20th century—the end of communism and the billions of people entering the capitalist world economy for the first time; the phenomenal expansion of knowledge-based industries as a force for growth and job creation; demographic trends in rich countries (we're getting older) and poor nations (billions of people entering the workforce); the advent of a global economy interlinked by networks of trade, investment, technology and culture; and the absence of a dominant military, political and economic power capable of policing and administering the international system.

These phenomena, he says, have led to several problems that are intensifying, including stagnant wages and rising income inequality in rich nations. But he is also alarmed by such issues as financial instability in emerging markets like Mexico, and the inability of governments everywhere to provide for the social needs of ordinary workers. Thurow says that capitalism, as we know it, will not be able to cure these ills.

The upshot is that modern free-market

economics is fast losing its legitimacy. We need something else, he says. It cannot be socialism because that has failed. Likewise for communism and fascism. What is called for is a new kind of capitalism that replaces today's emphasis on consumption with a strong focus on savings, investment and the treatment and organization of workers.

"The pressures are building up within the volcano," Thurow says. The investment that needs to be made in technology and in an educated and trained workforce is not forthcoming, he warns. Capitalism must do what it is not equipped for: think far ahead, and compel individuals, firms and governments to invest heavily in the future.

While *The Future of Capitalism* is a good read, it is far too pessimistic. Thurow tabulates everything that is going wrong, and ignores the other side of the ledger. Moreover, his rendition of our problems often lacks

hard-edged analysis.

For example, he attacks wage stagnation in America. Indeed, average wages have not increased, but there has been an enormous amount of upward mobility. Thus actual wages have risen for millions of men and women, offset by large-scale immigration which weighs down the averages. Thurow seems to think, moreover, that the 10 million jobs created in America in the past four years are for low-paying hamburger flippers, a notion contradicted by studies suggesting that over half the new positions are in high-wage industries.

And what about the good news in our global society? Since the end of the cold war, many governments have moved towards political and economic systems that liberate men and women to invest and save, and to produce and consume as never before. Entrepreneurism is growing in China, and India opened to the world economy for the first time since independence. Un-rigged elections took place in Russia. Reforms in Brazil reduced inflation from 2,000% to less than 20%. Thurow seems to

equate new technology with job loss, referring time and again to the damage of corporate downsizing. But he ignores the fact that—amid the ferment of a changing economy—more jobs are being created in America than are being lost, and that the net effect of downsizing is not more unemployment but less.

Finally, Thurow ignores the East Asian miracle. He fixates on low investment levels in America, arthritic social systems in Europe and burdensome regulatory structures in Japan. Had he looked at Asia and imagined the future of southern China, or peered into new technology parks in Taiwan and at burgeoning research budgets in South Korea, his conclusions about the future would be less bleak.

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