

## UP FRONT

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### The End of Triumphalism

Nineteen ninety-eight will go down in history as the year in which the export of American capitalism failed, the year the Big Backlash against it gained momentum, and the year in which the quest for finding new ways to deal with globalism started in earnest. Just a few years ago, Americans were celebrating unabashedly the worldwide victory of capitalism. (It was what Robert Kuttner has called the “grand illusion.”) The main “other” form of economic order, that of command and control, declared bankruptcy as the Soviet Union collapsed. Other communist regimes toppled like so many dominos. China privatized its economy. And scores of nations in Asia, Africa, and Latin America deregulated, cut their deficits, and otherwise openly embraced the thesis that the best economy was one that exposed itself to the bracing forces of the global market. American economists predicted dire consequences for those few countries that were slow to join the parade. The recent troubled Asian economies suggested that crony capitalism was not going to work either. All that was left standing was the American way, or so it seemed. All of this was a short yesterday away.

Now countries from Russia to Malaysia are being swept by huge waves of rejection of the American form of capitalism. They have discovered that the recommendations of the IMF, the World Bank, AID, and the Jeffrey Sackses of the Western world, have brought to the majority of their people economic chaos, misery, loss of real income, dilution of assets (especially pensions), falling health standards, indig-

nity, massive organized crime, large-scale corruption, AIDS, drug abuse, self-centeredness, and the worship of materialism.

As of 1998 many people in the countries that until recently were counted as newly Americanizing are now demanding—and gaining—a change of course, to better protect their communities from financial if not economic globalism. In Malaysia the government imposed currency controls. Russia plans to re-expand the role of government in conducting the economy. The Czech Republic kicked out of government Vaclav Klaus, the great privatizer, and replaced his government with a more moderate one. In neighboring Austria, even very minor attempts to trim the welfare state have contributed to the rise of a major right-wing protest party. In the eastern parts of Germany, frustrated people voted against Kohl and the CDU and its relative free market policies. Many other nations, which never sailed far down the American course, are taking note.

The reasons for the worldwide failure of American capitalism and the rising backlash against it are numerous. Most important is the fact, often ignored by Americans, that many of the societies involved do not have the cultural, social, and political infrastructure a free economy requires. In these countries the most obvious expression of this deficit is the large-scale lawlessness that prevails. More is required than a few new laws, deregulation, and currency convertibility. For a people to be basically law abiding requires a mentality, personality, and culture that took the West centuries to evolve.

In addition, other cultures have much less of an inclination to work hard and trade harder to gain individual advancement at the cost of other considerations, from familial commitments to communal bonds. To provide but one example: Austrian and German workers are frequently described as having habits that are detrimental to participation in the global markets, as these workers are reluctant to move to new locations (“retarding essential labor mobility”), preferring instead to stay in communities in which their family’s graves are, where they grew up, their friends reside, and their children can walk to school unmolested.

As a result of these profound cultural differences between the United States and other countries, champions of American capitalism run into two difficulties. Superficially their counsel—to jump into

capitalism rather than introduce changes gradually, and to engineer the shift by resetting a few economic dials (interest rates, deficits)—runs into deeply rooted, slow-to-change cultural and social legacies. More profoundly, it is becoming increasingly clear that many societies have strong social preferences that they seek to protect even if it means not maximizing their economic efficiency.

American economists tend to sneer at such notions, arguing that societies have no choice but to yield to globalism and that problems arise out of not yielding fast enough rather than too rapidly. These economists, backed up by the IMF et al., believe that the people of the world need to take more of the painful medicine they prescribe rather than less. However, more and more nations are finding that the drubbing they are taking is too devastating to endure, sense that they may not have the kind of cultural infrastructure and ambitions American capitalism presumes, and conclude that they ought to intensify their search for ways to shield themselves at least from global financial forces. Putting brakes on hot money (which floods a country one day and gushes out the next), even if it means scaring away short-term funds and some long-term investments, seems far from an irrational policy.

All this does not mean a return to command and control regimes or “Asian capitalism.” Numerous nations are about to experiment with different combinations of varying degrees of capitalism with various forms of social protections for their people. The outcomes are far from evident but one thing is clear: the age of throwing one’s nation on the tender mercies of global forces is over, after it barely began.

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## **Rights for Gangs, Handcuffs for Neighborhoods**

May communities regulate loitering, or is the term so inherently vague as to be unconstitutional? Should police be allowed to order members of criminal gangs and their friends to move on rather than