

and how countries are offering tax concessions to attract business. This, van Drimmelen suggests, means that the social welfare state is threatening to break down. He then approvingly quotes Paul Craig Roberts, former assistant secretary to the U.S. Treasury, "If the United States...is to survive it must privatize Social Security and health care, abolish welfare and cease to tax human and physical capital." The author doesn't share Roberts' policy prescription, but does share his view of the tension between mobile capital and social welfare provision. But Roberts' claim is nonsense on a number of levels! Since there is no bottom line for a country, as there is for a corporation, there is no meaningful sense to the idea that the U.S. is in competition for its survival with other countries. And countries can choose different levels of social insurance, though the more generous must be willing to pay with a currency devaluation.

In the same chapter the author claims that globalization "is creating a two-tier labor market: a shrinking stable and skilled workforce and a growth in the number of temporary and precarious jobs, mainly occupied by women." He gets the facts of rising inequality right, but doesn't explain why globalization is the cause. Is it trade? Mobile capital? There's not a single reference here to the voluminous literature suggesting that technological change, not international trade, is behind recent trends in wages and employment. The reader of *Faith in a Global Economy* will remain ignorant of this literature, and will instead be left with the notion that a decision to engage world markets is a decision to threaten your low-wage neighbor with even lower wages and uncertain employment.

The policy suggestions are familiar. Economic growth must be limited; even a three percent growth rate in output implies unsustainable use of non-renewable resources. One the facing page he places the elimination of poverty and inequality as a primary task. Population growth must be controlled. And so on. The problem here is not so much the policies themselves, though some are certainly open to question, but the lack of critical analysis. What level of growth is sustainable? What are the tradeoffs between controlling growth and diminishing poverty? Why are primary-product prices falling even in the face of a rising world population and strong economic growth?

This book could have been done right. The author has paid careful attention to historical detail, he knows what the most vexing problems are, and he's associated with an ecumenical organization that allows him to speak for a large constituency. But there's no substitute for careful analysis. ■

### Unintended Consequences: The Impact of Factor Endowments, Culture, and Politics on Long-Run Economic Performance

Deepak Lal, Cambridge, MA: The MIT Press, 1998. ISBN 0-262-12210-3, \$39.95 (cloth).

Reviewed by Stephen L. S. Smith, Gordon College (MA).

We live in something of a golden age for theories of long-term growth and development. Even a selective list of the most recent and most prominent examples of such works is long, including at least Rosenberg and Birdzell (1986), Jones (1988), Mokyr (1990), Fukuyama (1995), Diamond (1997), and Landes (1998). Not all of these researchers are economists, but all of them brazenly think across times, continents and cultures to attempt explanations of the great economic questions of wealth and poverty. And why not? The late twentieth century—roughly half a century after the end of colonialism, decades into seemingly secure growth in East Asian prosperity—offers an irresistible vantage point from which to assess things. How indeed can we explain the divergent paths of "the West and the Rest"? Can India become prosperous within the next century? Will Asian wealth result in the same kind of social dislocation and anomie so bemoaned in the West, particularly by Christian observers? Pressing questions such as these require scholarship which is at once grandly ambitious and meticulously careful, rooted in economics but interdisciplinary in scope: a tall order, to be sure, but one which an increasing number of scholars have attempted to fill.

*Unintended Consequences*, based on the author's 1995 Ohlin Lectures, is Deepak Lal's entry into this field. Professor of International Development Studies at UCLA, Lal is perhaps best known for his trenchant criticism of "statist" development policy long before the neoclassical counter-revolution in development economics and the Washington Consensus made this anything like a popular position. (See his 1994 volume of collected essays, *Against Dirigisme*.) He also authored the definitive study of Indian economic history and culture, *The Hindu Equilibrium* (1988, 1989). This present work is enormously accomplished. It encompasses, as it must, all economic history from the beginning of human records and is appropriately (but nevertheless breathtakingly) inter-disciplinary: from Augustine to Robert Lucas it's almost all here. And he almost pulls it off.

As suggested by the subtitle, Lal aims to explain long-run economic growth in terms of factor endowments, cul-

ture, politics and religion (though strangely this last factor, on which he spends much of the book, is omitted from the title). Lal is particularly interested in explaining what he helpfully calls "Promethean" growth, that is, sustained growth in per capita incomes based on technological change as opposed to extensive growth or "Smithian" intensive growth based simply on economies of scale and growing the extent of the market (p. 20). Furthermore, he purposefully aims to provide an explanation in which "materialist" and "idealistic" elements are balanced. In his view factor endowments, geography, environment and technology (the materialistic foundations of any economy) interact with culture, religion and politics (manifestations of a society's cosmological beliefs and ideals) to shape economic performance. Religion, in particular, is for Lal both an independent variable determining economic performance and an endogenous variable arising from the working of the entire economic system.

Lal's main arguments are as follows. The necessary and generally sufficient conditions for Promethean growth are secure private property, states governed by the rule of law (including the basic forms of commercial law), and the presence of routinized inquisitiveness in the form of science (pp. 69–73, p. 83). That these conditions emerged first in Western Europe was an "unintended consequence" of Western Europe's Catholic cosmology which "inadvertently promoted" individualism (p. 174) and of its physical environment which encouraged political decentralization and trade. But, crucially, the institutional means of generating growth can be "diffused worldwide to very different societies that do not have to adopt the cosmological beliefs that led to their creation" (p. 175). Meanwhile, individualism continues to have unintended consequences in the West, where it has "...undermined the very cement of the prosperous societies it has created" (p. 176). The West has depended on "guilt-based" mechanisms of socialization, rooted in the Christian notion of original sin; once scientific rationality calls into question the existence of God, norms of personal and social morality wilt. Furthermore, democratization—like science, a child of individualism—undermines the "traditional hierarchical bases of these societies," erodes deference, and generally makes "shame-based" socialization more difficult (p. 176). This is bad news for the West, but "the Rest" don't have to make the "Faustian compact" of gaining prosperity by losing their souls; their "social cement" will not be "undermined by secularization" because "it does not depend on a belief in God" (p. 178). They can modernize without secularizing, without democratizing, and, above all, without Westernizing (p. 177).

These arguments are controversial. First, his location of the origins of Western individualism both very early and in Catholic teaching is sure to draw criticism. Pope Gregory I, Lal argues, effected a revolution in the late 6th century by instituting what we now understand as the "Western" fam-

ily system of "late marriages, the employment of the unmarried outside rather than within households, and the fission of households on marriage" (p. 87). According to Lal, Gregory's rulings against (among others) concubinage and second marriage to widows of family members were motivated not by traditional Christian teaching but by a "self-interested" scheme that "inhibited a family from retaining its property and promoted its alienation" i.e., that promoted giving land and property to the church (pp. 84–85). This system, once in place, "had momentous indirect economic effects through promoting individualism, which came about through its support for the independence of the young in choosing marriage partners, in setting up their own households, and in entering into contractual rather than affective relationships for the care of the old" (p. 88). Lal also argues that Pope Gregory VII's decrees in 1075 on papal authority, church governance, and church-state relations effected a second, equally momentous revolution: "the whole Western legal tradition really derives from the development of both canon and secular law during the eleventh to the thirteenth centuries under the aegis of the church" (p. 81). These rulings, like those of Gregory I, were motivated by the church's "material self-interests" (p. 85). Lal's characterization of the church's motives as exclusively mercenary will not be persuasive to many. He may be on stronger ground in dating the origin of individualism as early as he does; in this he relies on MacFarlane (1979) and the fact that feudalism as practiced in Western Europe had from the beginning more rights attached to serfdom than was true in other settings.

Lal's view that market-based growth can occur in non-Western societies without concomitant individualistic cosmologies will also be controversial. He makes this argument in part based on the universality of what he calls "the economic principle" in life. Based on evolutionary anthropology, we know that "...economic behavior must be part of our makeup just as much as the other instincts and passions" (p. 178). Therefore if predatory states' rent-seeking behavior is reined in by the inexorable demands of globalization in the present liberal international economic order, growth could in principle occur anywhere. As part of this line of thinking he makes the case that democracy is not a prerequisite for economic liberalism and market-based growth: "Democracy, particularly in its majoritarian form, is a relatively recent form of government in the West. Hereditary monarchy has been the most common form of government around the world, and it delivered the Industrial Revolution in a Western outpost of Eurasia..." (p. 124). The final element in this argument is that non-Western societies are held together by shame-based social systems which are not dependent on individualistic values, which implies both that they can prosper without democracy and that they will be immune to the depredations of secularization which proved so damaging in the West.

What should Christian economists make of all this? Lal is successful in steering something of a middle course between explanations of long-run growth which rely at bottom on culture and cosmology (and the various institutions they engender), on the one hand, and those which are at their root materialistic. In particular, by giving considerable weight to Christian culture's role in shaping the West he avoids the trap fallen into by Diamond of attributing essentially *all* of economic history to environmental factors.<sup>1</sup> Even so, I think Lal attributes too much to materialistic causes. There's too much consistency in historic Christian teaching on the worth of the individual and the importance of individual virtue for him to pin the emergence of individualism on the medieval Catholic church's "greed" (his word, p. 102). Lal has missed the deep unity in Christian teaching in the West from before Augustine through the Reformation.

Lal's characterization of Western cultural decline and decadence after the putative "death of God" follows well-worn lines. But he makes the case that the radical element of the West's environmental movement is the most recent of a series of secularized versions of Christian theology to run rampant through the West. In this case, worship of the environment substitutes for worship of God but humans are still understood as (environmentally) sinful and in need of salvation (through the good works of environmental purification). It's interesting seeing the West described through the eyes of a "good Hindu," but Lal neglects the extent to which secular Western ethics are now in some respects profoundly un-Christian, particularly in areas which touch on the value of human life and the nature of marriage and family. Certainly the utopianism of the radical environmental movement does not arise from a quasi-Christian eschatology.

Lal's argument that China and India are the prototype cultures for the new millennium deserves scrutiny. In his view, because they are socialized by shame, not guilt, and have no God to shed, they can sail resiliently into a capitalist future immune from individualism. I think he grossly underestimates the universality and powerful appeal of human rights and democracy, especially in rich societies. The predictable problems of capitalism are best handled in democratic polities, and, in any event, in light of T'ien An Men and India's durable democracy, can there be any doubt that Asians will demand human rights and individual freedoms as earnestly as any peoples in the next century? He should read his Novak and Berger (whose names, tellingly, are *not* in his bibliography).

Lal's correct, I think, that India, China and other present-day developing countries *can* embrace a liberalized, market-oriented future and that in doing so they will not become exactly like the West in every detail. But unfortunately Lal

provides no details about the likely contours of South Asian and Chinese economic institutions and the particular challenges these cultures will face. In this respect Fukuyama (1995) is a vastly more helpful book. Fukuyama, while like Lal accepting that Asia can make a transition to the market, offers a detailed analysis of the differences between Asian cultures and their likely impact on the kinds of market institutions which ultimately emerge and the likely difficulties in establishing them. In particular, these cultures' relative lack of social capital will make the transition from family-run businesses to professionally-managed businesses a more rocky one than experienced in some parts of the West. Not all of Asia will perform equally well. In his eagerness to establish the basic point that liberal economic systems can be transplanted from the West to the Rest, Lal neglects these kinds of vital details. His discussion of Africa and Latin America is even more truncated.

Yet, on balance, this is a rich, impressive, and helpfully-provocative book. It will well repay its reading by all economists interested in the question of long-run economic performance, and will deservedly take its place among the prominent voices now contending on this issue.

#### Endnote

- 1 "History followed different courses for different peoples because of differences among peoples' environments..." Diamond (1997), p. 25.

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