

## CONCLUSION

# The Rationale of History

**The twentieth-century enigma** challenges us to find a rationale of history, to discover a guiding thread and more importantly to understand the causes of its apparently chaotic course. The need for an explanation—a coherent simplification—is all the greater that the trends were complex and puzzling, contradictory and obscure. To understand the transformations that all the societies underwent over that period, their conflicts and their internal economic, political and cultural restructuring, it is necessary to look at the broad picture, to take into account all the contributions of the various social sciences as these transformations have affected both the political and economic conditions of individual lives and altered their temporal course, that is, their history. But literature has fallen short of the task despite the vast historical panoramas, from Toynbee to Kennedy and more recently Landes, as they are more descriptive than explanatory.<sup>1</sup>

According to Mancur Olson, these shortcomings explain the persistent interest for Marx's analyses—although his economic concep-

1. Arnold J. Toynbee, *A Study of History*, Oxford University Press, 1972; Paul Kennedy, *The Rise and Fall of the Great Powers*, Random House, 1987; and David Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some Are So Poor*, Norton, 1998.

tions and forecasts have been proved totally false by the subsequent course of history—which is due to that fact that he gives an economic overview of the political and social institutions and their evolution in time.<sup>2</sup>

That can also explain the past success of Rostow's analyses collected in *Stages of Economic Growth: a Non-Communist Manifesto*.<sup>3</sup> Similarly, Nobel Prize and economic historian Douglass North, who substantially contributed to explaining the emergence of the European states and their political constitutions from the particular, fiscal and financial constraints they were faced with, encourages his colleagues to take more into account the “institutions, property rights, the state and ideology.”

Naturally, we need to discover the reason why, to analyze the causes, in order to understand what is going on in the world and find our bearings. People often oppose instinct to reason but the latter is itself part of human instinct. What is restrictively called instinct—a

2. Marx's fatally weak point is undeniably its historically dated economic analysis based on the erroneous conception of the labor theory of value and on the excessively rigid idea of homogeneous class behaviors that left no room for individual optimization. It is only around the end of his life that the marginal value theory emerged and the theory of collective decision making, sketched out by Wicksell in the late nineteenth century only made a big leap forward with Mancur Olson during the second half of the twentieth century. And so did the economic theory of public choice first with Downs and then with Buchanan and Tullock in the 1960s. Obviously, Marx lacked all these elements to develop his economic analysis of political and social changes.

As he believed that a class was a sort of standard unit, an indivisible element of the analysis, he did not explain how the individuals could take unanimous decisions simply because of their position in the production process. Thanks to the works of Mancur Olson, Buchanan and Tullock, the economists can now analyze how the social groups form by analyzing if an individual will want to join it or not. As such, the group (or organization) becomes a variable that can be explained by economic analysis rather than an artificial unit whose existence is supposed to be constant for the needs of the cause.

3. Mancur Olson, Review of Charles P. Kindleberger and Guido di Tella's book (eds), *Economics in the Long View: Essays in Honor of W.W. Rostow*, Columbia University Press, 1982.

form of automatic reaction—is not enough to guide people’s actions and decisions in new and complex circumstances. As a consequence, reasoning—the ability to calculate and simulate the real world in one’s mind—is an advantageous complement and has become essential. This explains the pursuit of knowledge and the development of sciences—not only biology but also the sciences of human interactions.

History thus gives rise to a need for scientific theories. In science, a theory is an explanation based on a corpus of established facts. The whole point of the theoretical approach is to discover the common factors that explain many phenomena of different kinds. And a theory is all the more powerful, useful and deep-impacting, that it explains with as few hypotheses as possible an even greater number of varied phenomena. For example, the Darwinian genetic theory of evolution that was developed by a whole school of researchers, ranging from Mendel to Crick and Watson, the DNA pioneers, explains both the diversity and universality of the living world.

But obviously simplification has its limits. Although all the sciences must simplify and reduce complex phenomena to a handful of explanatory factors, it must also respect Albert Einstein’s humoristic advice: “Simplify things as much as possible—but no more.”

### *Polybius’s Question*

The need to understand the evolution of the twentieth century takes us back to the source of the discipline, to the question asked by Polybius, one of the founders of history and political science, second century BC. According to him, historians’ essential task should be to discover the causes of the events they study. Rather than just recounting a story, they must explain it, using one logical and plausible principle at a time, to show “the general and global economy of events,” and only make assumptions in last resort. He thus stands in the continuity of Thucydides, who distinguished between the apparent causes

and the true reasons, the eternal laws of history, and Aristotle, according to whom “wisdom is knowledge of the causes.”<sup>4</sup>

But how can events be explained? With what tools, concepts, logic and science? As history is itself closer to narration, it must rely on other social sciences such as psychology, sociology and economy to find the causes. But Polybius already resolved the problem of methodology in his study of the second Punic War as he distinguished between the beginning, the excuse, and the true cause. The cause (*aitia*) is the intentions, the reasoning and the feelings at the origin of that decision or project.<sup>5</sup>

Economists will have recognized their own methodology which consists in analyzing the individuals’ calculations as a function of their personal goals. This approach is the one used in the theory of decision-making, the theory of choices. And if history is considered as the science studying the evolution of human societies—which is the case today—the explanation of history relies ultimately on economic analysis, the analysis of human decisions, given a society is an organization of human relations and that this organization results from a multitude of individual choices made in isolation or combined within a collective framework.

This assertion can seem surprising to those who take a restrictive view of economic analysis limited to material self interest and monetized transactions. But over the last decades, its specialists have substantially enlarged its field of application to neighboring disciplines such as law, politics, sociology and demography. An endeavor that Gary Becker perfectly summarized in his Nobel lecture in Stockholm.<sup>6</sup>

The economic methodology takes as granted the personal preferences whether they be selfish or altruistic, loyal or spiteful, hedon-

4. Guy Bourd  and Herv  Martin, *Les Ecoles historiques*, Points Histoire, Le Seuil, 1983, 1997.

5. *Ibid.*, p. 35.

6. Gary Becker, “Nobel Lecture: The Economic Way of Looking at Behaviour,” *Journal of Political Economy*, 1993.

istic or masochistic. It then consists of showing how the decisions are made according to those preferences, under the constraint of relative scarcities, including income, time, imperfect memory and limited calculating and knowledge capacities. And those individual choices are also largely determined by the private and collective actions of the other individuals and organizations in the society. This very general behavioral model applies equally to monetary and non-monetary decisions: there is thus an economic analysis of families, demography, crime, elections and politics, arts and religion.

But this approach of human behavior which was notably used to rationally explain the constitution and the development of European states<sup>7</sup> or the mercantilist policies<sup>8</sup> has not been applied to the political and economic transformations of the twentieth century, except by the many authors who try to determine the causes of the state's growth, especially in western democracies.<sup>9</sup>

On the contrary, many believe that an inexplicable drift into irrationality is the only plausible cause to the mishaps of the past century, of its excesses, its conflicts and its frequent episodes of barbarism.

### *The Surrender of Reason*

As a consequence, although the history of the twentieth century seems to be a challenge to reason, the main explanations that have been

7. Douglass C. North and Robert Paul Thomas, *The Rise of the Western World: A New Economic History*, Cambridge University Press, 1973.

8. Robert B. Ekelund Jr. and Robert D. Tollison, *Mercantilism as a Rent-Seeking Society: Economic Regulation in Historical Perspective*, Texas A&M University Press, 1981.

9. For an overview of this literature, see Dennis C. Mueller, *Public Choice*, Cambridge University Press, 1989, and Norman Gemmel (ed.), *The Growth of the Public Sector: Theories and International Evidence*, Elgar, 1993.

We would also mention Ronald Wintrobe's book, *The Political Economy of Dictatorship*, Cambridge University Press, 1998.

given relied on irrationality and were thus themselves a sign that reason had caved in.

Blinded by the intense conflicts between big rival nations and the idealized images of themselves that these nations propagated through ideologies, both the observers and actors only saw in the past century a conflict between political and economic systems: liberal capitalism, national-socialism, fascism or corporatism and communism.

As they were committed to their personal preferences, they believed in the absolute superiority of one of these systems, so that when another one prevailed, they concluded that it was just a mistake or an illusion. Others, more opportunistic, concluded that only the best could survive and that consequently all the previous systems were necessarily past errors. All supposed that the people and individuals had been ideologically infected by dangerous ideas. All believed that there was one good system, the best being the same for always and under any circumstances.

But that conception of an absolute truth is in total contradiction to history, that is, to the evolution of societies, and leads to the surrender of reason given all the realities which do not fit in with the favored model cannot be explained and are thus viewed as the consequence of human errors.

All the developments that drive the society in other directions or “unpleasant” ways, are viewed as mere evidence of utopianism, madness, pathology or self-interest of leaders. But these disturbances are not explained any better and seem to emerge haphazardly. They can affect the psychology of the rulers and that is how many authors often analyze fascism and nazism. But, because of their personal preferences, they rarely do so with the other more murderous and barbarian forms of communism that existed in Russia and China. Unlike for Hitler, the psychopathology of Stalin or Mao Zedong has seldom been analyzed (not to mention Pol Pot and Kim Il Sung). And few specialists would accept to justify the emergence of the communist systems by the sole pathology of their leaders. Anyway, that approach raises the

## The Rationale of History

341

issue of the rather conscious and active consent of the governed but cannot provide an answer.

Some other authors consider that the source of irrationality lies in mass behavior, and develop the ancient works of Gustave Le Bon concerning the behavior of crowds. But it is difficult to prove that it is the masses that determine the characteristics of a regime and effectively manage it.

One is then left to believe in the irrationality of the entire mankind. All people would be victims at a time or another of harmful ideologies or deleterious ideas. As Ludwig von Mises wrote, developing a topic that Keynes tackled latter on:

The history of mankind is the history of ideas. For it is ideas, theories, and doctrines that guide human action, determine the ultimate ends men aim at, and the choice of the means employed for the attainment of these ends. The sensational events which stir the emotions and catch the interest of superficial observers are merely the consummation of ideological changes.”<sup>10</sup>

This is how various authors explain the totalitarianisms of the first twentieth century by the loss of their taste for freedom, the racist doctrines, the ultra-nationalism and the “Lebensraum.” According to them, people simply became mad. But why? Where do these absurd ideologies come from? By what mystery are they massively adopted? Nobody knows. Most often, people mention the pernicious influence of the (wrong) ideas and intellectuals, whose thoughts have been amplified by powerful interest groups. It is worth again to quote the famous passage of Keynes, who himself expressed a conception found again and again among intellectuals:<sup>11</sup>

10. Ludwig Von Mises, *Planned Chaos*, Foundation for Economic Education, 1947, p. 62.

11. For instance Heinrich Heine (1797–1856) who writes: “mark this, ye proud men of action: ye are nothing but unconscious hodmen of the men of thought who, often in the humblest stillness, have appointed you your inevitable work,” *Religion and Philosophy in Germany*, J. Snodgrass tr. Boston: Beacon Press, 1959. Cited by Joseph Stiglitz. A “hodman” carries brick or mortar for a mason.

The ideas of economists and political philosophers both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed, the world is ruled by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interest is vastly exaggerated compared with the gradual encroachment of ideas.”<sup>12</sup>

It is just a half truth, a half of the complete picture. In such a conception ideas could well be completely arbitrary and social evolution the random result of the war of intellectuals. In that case, all that we know is that we must teach the opposite ideology to the one we dislike and think wrong, one of moral improvement and unconditional defense of human rights, to protect ourselves against a possible new fit of madness. Ideologies, good or bad, are thus the very foundation of social order. This is the Platonic view of the cavemen who only distinguish the distorted shadows of reality and grope their way along from one mistake to another. A more realistic view would accept that men of actions are often, or even always, the prisoners of “academic scribblers” of all persuasions, but that intellectuals derive their ideas from the evolution of the real world constraints and opportunities.

Another approach of the issue, more to the point, explains the collapse and replacement of the existing politico-economic regimes by their opposites, by the experience of their shortcomings and failures. Thus, socialists like Karl Polanyi justified the decline of nineteenth-century liberal capitalism by the fact that autoregulated markets could not work, while the free-marketeers generally believe that communism could not survive lastingly. And yet, the market system reconquered the world half a century after its nadir during World War II. And

12. *The General Theory of Employment, Interest and Money*, 1936, New York: Harcourt, Brace & World, ch. 24, p. 383.



communism “survived” 70 years despite its alleged incoherence. Which is long enough for a reputedly unviable system!

Paul Krugman tries to avoid this contradiction, saying that the USSR, which was far from being as inefficient as some pretend today, did not defeat the German army on its territory thanks to the superior intelligence of its generals, decimated by Stalin’s purges, nor simply to western support, but rather thanks to the power and efficiency of its economic and military productions: its industries ran at full capacity and manufactured high-technology tanks, planes, guns capable of thwarting the German despite the latter’s excellence.<sup>13</sup> And during the postwar period, the Soviet economic performance was not limited to some occasional technical exploits such as the launch of the Sputniks and other satellites, achieved by the concentration of massive resources to the detriment of the rest of the economy. Overall, the economy enjoyed strong growth from 1930 to 1965.<sup>14</sup> Admittedly, Stalin transformed Russia, a mostly backward agricultural economy, into a big industrial power supported by an extremely competent pool of scientists and engineers.

The same is true of the other totalitarian systems: Nazi Germany and the militaristic Japanese empire were dreadfully efficient. They threatened the very existence of the few democracies that remained in the world at the beginning of World War II and enjoyed the unconditional support of their respective peoples.

But the fundamental question remains unanswered: just like liberal capitalism almost disappeared in the early twentieth century after a period of remarkable success in the late nineteenth century, why did the communist system collapse in the 1980s while it managed to compete with the strongest western powers in the ’40s, ’50s and ’60s?

Krugman notes, in passing and to reject it, the possibility that

13. Paul Krugman, “Capitalism’s Mysterious Triumph,” *Nihon Keizai Shimbun*, 1998, and “The Trouble with History,” *Washington Monthly*, March 1998.

14. R. W. Davies, *Soviet Economic Development from Lenin to Khrushchev*, Cambridge University Press, 1998.

technological advances may have changed the economic rules of the game: the mid-century was a time of heavy industries perfectly adapted to central planning, of the big private corporations and of the Gosplan. But the same is not true of the new microelectronic technologies who can only develop in a decentralized and competitive context. This would explain the Soviet Union's collapse and the current difficulties of Japan, a bureaucratic and centralized country.

This concurs with the hypothesis that we have put forward and explained in this book, but Krugman finally prefers a moral explanation where the ideologies play a major role. According to him, communism failed because people no longer believed in it, and not the opposite. However, this thesis is untenable as it does not explain how people gained and then lost confidence in the system, nor why the constituent ideas of a regime impose themselves at a given moment and in a given country. It is more likely that the Russians stopped believing in communism because it could no longer generate as many advances as it had during its first decades.

Although it is true that ideas are essential to guide action, it does not mean that arbitrary ideas can drive the world one day toward the market production mode and decentralization and the other toward central planning. That conception of the discretionary power of ideas reminds us of the theories of the critics of advertising who pretended a while that advertising could manipulate at will the consumer to make him buy anything. Obviously, this is wrong for a simple reason: if advertising had such an influence on business expenditures, 99 percent of the firms' expenses would be devoted to communication and only 1 percent to production. But advertising costs do not exceed a few percentage points of the national products. This is a proof that their efficiency is in fact limited.

Similarly, if ideas had such power and were totally malleable, the intellectuals (the producers and sellers of ideas) would be the most powerful and richest people in the private and public sphere. But as it does not seem to be so, we believe that the ultimate source of

historical transformations cannot be arbitrary, contagious and changing ideas.

### *Profound Coherence*

If we put aside the vision of the world that immediately reflects the conflicts between the superpowers and the opposition between their respective ideological propaganda, to observe the common factors of the economic and political organization of societies in the twentieth century, we see again profound coherence in the century's developments. It comes from the great cycle, with first a centralization wave and then a decentralization wave. It implies, if these developments are rational, the superiority of a certain organizational mode, at a given moment in the history of technologies, which then loses its advantages to the benefit of a different social organization at another moment and in another environment.

And in that view, the century finally proves to be remarkably coherent. Whatever the organization (firms, states, the economy, politics, social and cultural relations) and existing regime (liberal capitalism, fascism or communism) we consider, the first twentieth century saw the same evolutions, the same anti-market, self-centered, anti-individualist, collectivist and authoritarian ideologies, and the second saw the exact opposite.

Thus, we can witness what the biologist Edward O. Wilson coined the "Ionian Enchantment," borrowing this expression from the physicist and historian Gerald Holton. It means a belief in the unity of sciences—a very deep conviction that the world is orderly and can be explained by a small number of natural laws. Its roots go back to Thales of Miletus, in Ionia, in the sixth century B.C., who believed that all matter consisted ultimately of water, thus justifying its materialist vision of the world and the unity of nature. Although that precise view was far-fetched, Wilson considers that the perspective can

nevertheless be applied in a different context to modern sciences including social sciences and literary disciplines.

Einstein experienced this enchantment as he wrote to his friend Marcel Grossman in a letter:

It is a wonderful feeling to recognize the unity of a complex of phenomena that to direct observation appear to be quite separate things.<sup>15</sup>

The profound unity of the last century's economic and political transformations helps us find a common and rational explanation to the various and complex phenomena that are often put down to human irrationality and to the supernatural power of ideas, in last resort. But in fact, that unity results from the economic calculus.

### *The Economic Hypothesis*

If we only look at how efficiently their societies were organized, liberal capitalism, communism, corporatism and all the other fascisms have made no mistake.

Although that assertion will surprise some readers and certainly shock them, we would like to underline that it is in no way a moral judgment, an approval of the systems of the first twentieth century, but simply an acknowledgement of the existence of objective determinants of the past transformations of the political systems.

The political and economic organization has changed everywhere with technological advances. There has thus been successive phases during which the market first had the advantage, then lost it to the hierarchy and finally regained it. And this is true of all the public and private production sectors given technology is universal.

Organizational choices depend on the comparative costs and ben-

15. Mentioned by Gerald Holton in *Einstein, History, and Other Passions*, American Institute of Physics Press, 1995 and quoted by E. O. Wilson, *Consilience*, p. 5.

efits of the two basic modes: consensual market transactions or hierarchical subordination.

Indeed, the political and social selection of the institutions, the organizations, depends, just like monetary or non-monetary consumption or investment choices, on the theory of choices, the theory of decisions, that is, on economic analysis. As we underlined previously, the economic theory is not limited to monetized market transactions. It explains all the human behavior which were until then considered as non-economic: votes, governments' redistributive policies, crime, the family and its structures, demography, educational choices, health standards and living habits. It can also explain the evolution according to time and various other conditions of these behaviors which are still currently viewed as the objects of distinct disciplines.

The choices that have influenced the past century were made according to the individual costs and benefits of the various organizational modes. And the resulting politico-economic regimes were thus the unexpected consequences of all these individual choices. The hierarchization of the American production apparatus in the first twentieth century was not a deliberate and preconceived plan. It was only the consequence of the choices made by Henry Ford, the management of the main railway lines, General Motors, and IBM and by the millions of people who preferred to work in corporations rather than as independent craftsmen, each reacting to the new technological and economic conditions and pursuing their personal preferences and those of their associates, in accordance with all the users and consumers who ratified those decisions about the production by making purchases.

Those costs and benefits evolved with technological advances, especially in the fields of information production, storage and transmission. These technologies changed the way large-scale hierarchies were managed. By determining a growing size of public and private

bureaucratic pyramids, they transformed the internal and external structure of all the organizations.

Marx already deemed essential the impact of production technologies on the whole society in *Capital*:

Technology reveals the relation between man and Nature, the production process through which it subsists, and thus also the development of social relations and the resulting mental conceptions.

It follows that, in the well-known Marxian analysis, just as the manorial mill makes the feudal society, the steam engine makes the factory and defines the structure of the capitalist society of the Industrial Revolution.

So, is it all simply a question of technological determinism? Not really, as technology is itself “filtered” by individual economic choices. It only gives the range of possibilities and it is actually the organizational economics that drives the actual choices specifically toward one of those possibilities. And technology is not the only factor influencing individual decisions: there is also the personal preferences and the availability of resources. Other variables more especially account for the differences of organization that exist between several countries at the same date and with the same information technologies. For instance, in states, the geographical concentration of people and production activities determines the location of tax resources and thus the direction in which the state will grow preferably. As for individuals, it is their education, social incentives and personal experience together with their subjective preferences and their income, that determines how they choose their activities, consumption and investments.

Is it a purely materialistic explanation? Does morality play no role in the choice of the economic, political and social organization? Can the worst systems be adopted unscrupulously?

It would be too simplistic to support such a view. Morality defines

the socially acceptable human behaviors in a given organization. It includes some universal precepts fixed in our minds by several million years of a life as small itinerant groups of hunters-gatherers. But it also includes more recent and rather flexible rules which depend on the needs of the societies in which we live today. These kinds of rules vary according to the societies. According to the moral principles of Stalin's USSR or Hitler's Germany, denunciation, submission, the negation of the individual and dying for one's country were regarded as superior values. Ethnography and history provide us with plenty of examples of moral values peculiar to a given population at a certain time. We just have to go back to the Middle Ages to find striking examples of that moral variability.<sup>16</sup>

And yet we must admit that the technologies of the nineteenth and twentieth centuries generated worldwide a politically and morally regressive organization compared to some of the universal standards and to the individualistic morality of the nineteenth century. Admittedly, the search for productive efficiency has become more important than the respect of that humanist and individualistic morality. Indeed, moral pressure plays a role but cannot determine alone all human behaviors as there may also be a trade-off with efficiency. The rationale of history is not always the morality of history.

### *Consequences: The Competitive State and Global Civilization*

The economic hypothesis helps us better understand the present transformations and speculate about the future, with an approach totally opposed to the current interpretations. Nowadays, it is considered that globalization is the ultimate cause of everything, the *deus ex machina* of economic, political and social developments. But the development of world markets is only a symptom of the underlying technological and organizational advances, of the economic hypothesis at work.

16. See for instance A. R. Bridbury, "Markets and Freedom in the Middle Ages," in B. L. Anderson and A. J. H. Latham (eds), *Markets in History*, Croom Helm, 1986.

What are the factors determining a state's external growth? The competition for resources and the relative costs of the hierarchy and the market. Which social variables govern the choice of politico-economic systems? The competition between states and private hierarchies and the relative costs of the hierarchy and the market which depend on information technologies.

Must we fear an irresistible rise toward corporate gigantism and must we hope for the creation of a giant world state or even for the intermediate or temporary solution of a very large continental state in Europe? These omnipresent concerns result from a deep misunderstanding of the ongoing transformations. The growth of global markets does not necessarily imply a globalization of the organizations and more especially firms. On the contrary, it replaces that globalization. The immediate consequence of markets' big size is an atomization of the hierarchical organizations as both mechanisms compete and are substitutable. That substitutability appears as a kind of organizational paradox but a paradox that is nevertheless economically rational.

### *The Paradox of Size*

The economic and social revolution of the second twentieth century has given rise to a lot of misunderstanding and misinterpretations, especially concerning the size of firms in the global economy, the standardization of culture and consumption, the end of the nation-state, the Americanization of the world and the growing economic instability.

Are we heading toward globalization and gigantism of the corporation? Not at all.

The globalization of the markets is accompanied by an atomization of the firms. That process is well illustrated by the difficulties the biggest corporations are faced with. Many of the leading companies among the 500 largest global firms have steadily cut their workforce



over the past twenty years. A few of them, like IBM, have had to split into several units to regain their dynamism. The recent troubles of Coca-Cola and McDonald's show that it is not necessarily profitable to be a global firm, a world corporation

Behind the headlines announcing ever larger M&As, a broad disintegration of the big corporations can be seen.<sup>17</sup> Twenty-five years ago, one out of five American wage-earners was employed by one of the 500 leading U.S. companies ranked by the magazine *Fortune*. Today, that proportion has fallen to one out of ten. The largest employer is no longer General Motors nor IBM, but Manpower, a company specialized in part-time work.

Besides, the idea that the development of open markets in most world countries necessarily involves that all companies must establish themselves everywhere is false. For instance, the large pharmaceutical companies tend to close their units in quite a few countries to concentrate their activities in a few major poles. And business strategies can show that it is more profitable to export than to set up subsidiaries abroad. Furthermore, all the products are not universal. Some of them are better adapted to the specific preferences of local consumers. The small Italian cars will never be a big hit in the United States. French cheese is most successful around its production sites. Indian movies do not fascinate the British and the German. In short, the globalization imperative is only a myth. It is only true of a few economic activities and even there it has many substitutes, like franchises, business alliances or subcontracting.

Are we heading toward the globalization and the standardization of consumption and culture? Not at all.

With the end of Fordism began an era of diversification and per-

17. Thomas W. Malone and Robert J. Laubacher, "Are Big Companies Becoming Obsolete? The Dawn of the E-Lance Economy," *Harvard Business Review*, September–October 1998; and Lynda Applegate, James Cash and D. Quinn Mills, "Information Technology and Tomorrow's Manager," *Harvard Business Review*, November–December 1988.

sonalization of the products, which are by the way manufactured on request. Today, your car is not manufactured until your order has been recorded. You can choose between dozens of options and various colors, the number of doors that suits you best, the model you prefer (a station wagon, a sedan or a convertible), diesel or gas and so on. This is in total contrast to the Ford T which only existed in black.

In work also, the individual tasks became more diversified and elaborate. Assembly-line work disappears or is only performed by electromechanical robots. Finally, the dominant individualism favors the differentiation of cultural consumptions. The variety of books, magazines, TV programs and websites has never been so large as today. All the major cities offer a complete range of restaurants serving every type of cooking in the world. There is an endless number of musical styles and art schools. The increase in wealth is by itself enough to justify that demand for diversity. But the rise in the international supply sustains it even further.

It is an era of diversity rather than uniformity. And the fact that the same brands and the same clothes, luggage and camera shops can be found in the shopping streets around the world does not mean that the range of goods that can be consumed by people is decreasing but rather that the variety of products in most of the countries is increasing.

Are we heading toward the collapse of the nation-state? Not at all.

Like the famous announcement of Mark Twain's death, that death notice seems very premature. On the contrary, the nation-state structure has proved hugely successful all around the world. The number of small states is increasing and they are thriving. Admittedly, the largest and most heterogeneous states have disintegrated or are faced with centrifugal forces. But when they disappear they are replaced by several smaller states. We can thus conclude that we are witnessing a change in their optimal size rather than their extinction.

Unlike what a few doctrinaire economists hastily maintain, these

smaller states are totally capable of running independent policies. They are not subjected to the domination of the financial markets. Just like larger states, they must simply put up with the same constraints of obtaining resources. And the same is true of all the firms, big or small. Everyone who wants to borrow funds or set the exchange rate of his currency must inspire confidence in his potential creditors. But that's nothing new. The only change regards the identity of the lender. A few years ago, the main lenders were the International Monetary Fund, other states or major banks. Today, they would most likely be the private savers from any country in the world. But that does not alter the fundamental laws of economics or finance.

At the same time, the people hoping for the setting up of a world state to regain the "room for maneuver" that has been lost with the globalization of markets should ponder over the growing difficulties of the large global public structures such as the United Nations, the IMF or the WTO. The present time is that of independence and competition between small states together with the disintegration of all the giant administrative structures.

Those large bureaucratic organizations, which in fact help to manage cartels of nations, have the same drawbacks as any cartel and bureaucracy, public or private: they are all faced nowadays with the same disintegrating forces whether they be the United Nations, the IMF, the World Bank, the WTO or the European Union.

Also note that the so-called anarchy on global markets is just an illusion. All the exchanges take place within national areas and are governed by national or international laws under the control of the state since the whole planet has been split into nation-states. Hence, areas of no-law do not really exist. The dominance of the law of the jungle, or the international economic chaos are no realities, but fantasies. There is on the planet a diversified system maintaining order and working as well as the nineteenth-century alliance of nations and free trade.

The idea according to which there can be no order without a

world state was instilled during the totalitarian era. It is the invention of people who have never worked with a decentralized cybernetic order nor understood what it is. And on the purely political level, it is worth thinking of the implications of such a single state. Bertrand de Jouvenel underlined he had been favorable to a world state until the day when, during World War II, he was compelled to take refuge in Switzerland, hunted by the German police. Plurality and the competition between states are the best guarantors of fundamental liberties.

Are we heading toward an all-American planet? Not at all.

The U.S. economy will not grow at such a stunning pace forever. It cannot reverse the fast development of new economies around the world. The United States and Europe are bound to gradually lose their role of leading producers, but that does not necessarily mean that the living standards will no longer improve in our countries. It is the catch-up in the production levels and living standards of the more numerous and poorer countries that will alter the relative weights of the economies, not the long-announced decline of the wealthiest countries, even though such a decline is always possible in some cases such as Great Britain before the conservative revolution, or France today.

In military matters, it is true that the collapse of the USSR radically changed the balance of power, but the European countries do not seem more dependent on the United States today than before. In fact, it looks as if it was the contrary, now that the threat has vanished.

As for cultural imperialism, it should be noted that this very concept is unfounded. The American government does not try deliberately to impose Coca-Cola or the Hollywood movies in Europe or Asia. It is just that these companies look for markets and find them where their products are competitive. As far as this is concerned, the consumer is no doubt the sovereign. Nobody can compel you to eat a Big Mac or drink a Coke. On the contrary, Mao Zedong forced all the Chinese to wear the same unisex tunic. Looking at the competition

on private markets from a military point of view would be totally distorting the reality of the market economy.

Also note that these are two-way exchanges of tangible and cultural goods and not a one-way flow. The export of French fashion goods or German cars is not the expression of French or Germanic cultural imperialism whatsoever. These propaganda campaigns denouncing cultural imperialism confuse the narrow interests of the cultural producers faced with competition, with the broader and totally different interests of the national consumers who are fascinated by the new diversity of supply. In fact, the critics of “cultural imperialism” try to subordinate the latter to the former.

Finally, if Americanization is understood as the development of markets, of the price mechanism and of business productivity, then that process should be renamed “Anglicization” or “Frenchification” in honor of Adam Smith or Jean-Baptiste Say. Indeed, in the late eighteenth century, long before the United States, Great Britain, and France were already developing free markets, technical advances and firms seeking higher productivity and wealth creation.

And finally, should we fear that globalization increases the economic instability? Not at all.

As large markets are more stable, the economic cycle became much less volatile during the second twentieth century as the economies became much more open and as the international trade regained its major role of before 1913.

In terms of finance, the fluctuations on national stock markets and those on national foreign exchange markets tend to offset each other to a certain extent as those markets and assets are not perfectly in phase. The international diversification of portfolios is thus the guarantee of a certain stability compared with the exclusive concentration of capital into a single country.

As a result, the fears about globalization, that is, of the opening of national economies, are mostly illusory or explained by the defense of specific interests. On the contrary, the advantages of the global

civilization are very much real and general, starting with those resulting from the new peaceful competition between states.

### *Competitive Civilization*

Technological advances disrupt our civilizations, that is, “all the relations between people.”<sup>18</sup> Indeed, these relations rely on behaviors which change when they take place within different organizations, under the influence of particular incentives and specific constraints.

Thus, the changes in the organizational structures, in the ecology of organizations, affect the whole life in society, the economy, politics and culture. While large hierarchies favor monopolization, submission and collectivism, small hierarchies boost competition, consensual market transactions and individualism.

During the second twentieth century, the states were faced with fierce but generally peaceful competition as all tended to reduce their external dimensions and their areas of geographic control. The citizens could then choose to join another state that was competing to keep its economic resources. It is a buying market for mobile private individuals. The tax price of a given level of public service thus tends to decrease. And the same is true of firms, which move toward structures of atomistic competition, even though there is a concentration in a few sectors that have reached their maturity and must switch to new types of production. It is a godsend for both the consumers and the citizens.

Like the other firms, a competitive state provides more services at a smaller cost. It is better controlled by its customers, who are in this case both citizens and taxpayers. It is thus democratic and must meet the expectations of its voters.

That recipe was already successful on three occasions in the past. First, in Athens, with the competition of the Greek city-states during

18. According to the French dictionary “Robert.”

the fifth-century B.C. cultural and informational revolution. Then, when the competition between the European states open to foreign trade and maintaining law and order within their frontiers, during the Renaissance in Europe, and then even more during the Enlightenment age, a period of stunning scientific and information advances. Finally, during the second twentieth century, for all the reasons that have been mentioned in this book.

Does this give us an idea of what will happen next? Nobody knows for sure. Evolution, in economics as in biology, depends on the capacity of adaptation to the conditions of scarcity and abundance of the environment. If the environment changes, the course of evolution is altered. But we cannot foresee the endless number of conditions that define the natural environment, not to mention the social and cultural environment.

Yet, the totalitarianism that so deeply characterized the first twentieth century represented a kind of exception in the history of societies. It was due to the exceptional progress of the production of material goods compared with the slower development of information technologies. That informational backwardness caused the bureaucratic and hierarchical reaction of the early period. It seems today that such a situation is quite unlikely to happen again, given the current pace at which information technologies evolve. The abundance of information determines its diffusion. Information diffusion decentralizes power and weakens hierarchies. It frees the individuals. Our best hope can thus only be that the second twentieth century tendencies will be vindicated and extended as far as possible, well into the coming decades of the twenty-first century.