

dent power are developed . . . in order to take off our shoulders some of the burdens of bi-polarity." The Truman administration (1945–53) sought an independent, unified Europe. Indeed, Congress made progress on that front a condition for Marshall Plan aid in 1948. But the Europeans resisted independence. What the United States got instead was what it had wanted least: a U.S. commitment, through the North Atlantic Treaty Organization, to defend Europe.

And what kind of Europe was it defending? Not the Europe of laissez-faire governments Washington had envisioned, but a Europe of welfare states, sheltered by protectionism and other special arrangements. This was a compromise Washington made when the outbreak of the Cold War compelled it to support even socialist governments in Europe, so long as they were non-communist.

Ironically, Ikenberry con-

cludes, America might have been able to exercise more of its power during the early postwar years if Europe had been stronger. But then, as now, power could not be measured as if it were a purely mechanical force.

### *Mission Impossible?*

In *The New Republic* (Nov. 20, 1989), Harvard's David Landes suggests that both free-market and "development" economists misapprehend the problem with foreign aid.

*The earlier confidence that history is teleological, tending irresistibly toward industrialism and modernity, no longer seems tenable. Is it time for a paradigm shift? Suppose the process of economic development is not the destiny of all humankind. Suppose instead that what we are dealing with is a pool of candidates. Some are favored by circumstance; some are not. The ones most favored go first. Others follow. And as the pool is exhausted, the hard cases remain—not only because of the misfortunes and misdeeds of history, but because, for all manner of internal reasons, they do not take to . . . new ways. They don't like them; they don't want them; they are discouraged from learning them; if they learn them, they want out; etc. Perhaps what we are seeing now is simply that we're getting down to the hard cases . . .*

*We must and shall keep trying to help, as much for ourselves as for those we want to benefit. But we're going to have to choose our targets better and aim straighter.*

### *Foreign Aid Steroids*

"Investment Without Growth, Industrialization Without Prosperity" by Nicholas Eberstadt, in *Journal of Economic Growth* (Summer 1989), 1615 H St. N.W., Washington, D.C. 20062.

Since 1950, when President Harry S. Truman requested a modest \$45 million for his Point Four program, U.S. foreign aid has grown to some \$9 billion annually. Add contributions from the other industrialized nations and aid to the Third World averages some \$40 billion annually. With the exception of Japan and Taiwan, virtually every nation in Asia, Africa, and Latin America receives help.

All of that money is having plenty of impact, writes Eberstadt, a visiting scholar at the American Enterprise Institute, and most of it is for the worse.

For two decades, most aid dollars were poured into industrial development

schemes. The result, says Eberstadt, has been gross economic distortion. It is almost as if the recipients were on economic steroids. Thus, Zimbabwe, Botswana, and Trinidad, among others, appear to be more "industrialized" than Japan. Industry generates 41 percent of Japan's gross domestic product (GDP) but, according to World Bank data, 43 percent of Botswana's. Likewise, gross domestic investment seems to be higher in many Third World lands than in the West.

As a result, Eberstadt observes, agriculture and consumption in these countries claim abnormally small shares of GDP. But these are precisely the countries

where farming and consumption—i.e. purchases of food, shelter, and other necessities—ought to claim the largest shares of GDP.

During the 1960s, development specialists recognized their mistake. Industrialization was proceeding apace, but poverty rates remained high. So, says Eberstadt, they devoted more money to “basic human needs”—health care, education—and merely compounded their error. Such aid only swelled the budgets of Third World governments, thus shrinking the share of GDP available for personal consumption.

Meanwhile, investment in Third World industry has not abated, even though it has produced, at best, mediocre rates of return. What has happened, says Eberstadt, is that di-



*Much U.S. aid never reaches the people it is intended to help. As a result, Washington increasingly bypasses foreign governments.*

rect investment by Western business has shrunk, but commercial loans and subsidized loans from institutions like the World Bank have not. Overall, a remarkable \$1.8 trillion in capital flowed into the Third World between 1956 and 1986. The only plausible explanation, Eberstadt notes, is that Third World governments “are being held to a lower standard of economic performance than those facing their own citizens, international businesses, or the governments of Western countries.” That allows the governments of poor countries to ignore the marketplace if they choose (though some do not), and ultimately to further impoverish their citizens. “Development economics” has failed, Eberstadt suggests; the market, he believes, deserves a chance.

## Fukuyama II

“A Reply to My Critics” by Francis Fukuyama, in *The National Interest* (Winter 1989–90), 1112 16th St. N.W., Washington, D.C. 20036.

No article in recent memory has provoked as much controversy as Francis Fukuyama’s “The End of History?” in the *National Interest*. [See *WQ*, Autumn ’89, pp. 12–13]. Now Fukuyama, deputy director of the U.S. State Department’s policy planning staff, answers his critics.

He says that many of these critics misunderstood his basic point. He argued that history as the philosopher G. W. F. Hegel understood it has come to an end: Liberalism has triumphed over all competing ideas about the organization of society. “In order to refute my hypothesis, then, it is not sufficient to suggest that the future holds in store large and momentous events. One would have to show that these

events were driven by a systematic idea of political and social justice that claimed to supersede liberalism.”

This argument is not as esoteric as it may seem. For virtually all of us are Hegelians, Fukuyama insists, even if we do not realize it. It is from Hegel that we have inherited the notion of history as progress, as a process of evolution “from primitive to modern, through a succession of stages of ‘false consciousness.’” History thus must arrive at some final truth, an end. The only alternative is radical relativism, as Friedrich Nietzsche held, in which all values and morals are mere “products of their time.” That, says Fukuyama, leads to consequences, such as fascism and the