

their manufacturing and assembly operations aimed at the U.S. market to the Chinese mainland. In the eyes of Conable and Lampton, China's economic boom not only presents tremendous opportunities for American investment and trade but "will soon put serious political reform back on the agenda."

Horner, president of the Madison Center in Washington, also views China's economic rise as benign, and he thinks it possible that communism in China "really is withering away, to be superseded by some softer, albeit authoritarian, regime—like that, precisely, of Singapore."

Unlike Japan, China seems inclined to translate its economic gains into international influence. Despite the disappearance of the Soviet threat, Beijing has increased its official military budget by 52 percent since 1989. It has exported nuclear technology to Iran and Pakistan, and last spring conducted its largest-ever nuclear test.

In recent years, Munro notes, China has become increasingly assertive in territorial disputes, particularly in the South China Sea, where it claims islands hundreds of miles offshore now held by Vietnam, Malaysia, and the

KAL  
THE ECONOMIST  
London  
ENGLAND



*Human rights remains a hot issue dividing the United States and China, but both nations want to avoid any disruption of relations.*

Philippines. Although China may not be "wildly ambitious or dangerously bellicose," Horner notes, it does seem to be "of an imperial mind, prepared to reoccupy the space in Asia vacated by a defunct Soviet Union, a withdrawing United States, and a reticent Japan." Chinese domination of the South China Sea is virtually certain, Munro says. "The United States can live with this historical shift if it succeeds in convincing China not to overplay its hand."

## **Democracy, Yes; Realpolitik, No**

Should U.S. foreign policy emphasize the promotion of democracy abroad? Not according to a number of "realist" and "neorealist" pundits from both ends of the political spectrum. The liberal neorealists often seem to be more isolationist than their conservative counterparts, such as Irving Kristol, but all agree that in foreign policy, morality must give way to "the national interest," that international politics is mainly about power, not the quest for justice. Kaufman, a University of Vermont political scientist, says, however, that the issue is not whether to pursue the national interest, but how to define it. He contends that promoting and maintaining democracy abroad—especially in geopolitically important states such as

"Democracy, Morality and the National Interest" by Robert G. Kaufman, in *Strategic Review* (Spring 1992), United States Strategic Inst., 2020 Penn. Ave. NW, Ste. 610, Washington, D.C. 20006.

Germany, Japan, and Russia—remain "vital national interests" of the United States.

Conceptions of *realpolitik* that are "overly narrow" should be rejected on practical as well as moral grounds, Kaufman argues. "Those realists who attempt to sever foreign policy from morality are paradoxically more unrealistic than many so-called idealists." Americans, he observes, must be convinced that U.S. foreign policy is morally right, as well as in the U.S. self-interest. *Realpolitik* alone will not suffice to win the domestic support needed to sustain an effective foreign policy.

That is not to say that the United States should take enormous risks to establish democracy everywhere on the globe. "Sometimes,"

Kaufman points out, "the prospects for democratic forces succeeding are too remote and America's stake in a favorable outcome too limited to justify active U.S. involvement on democracy's behalf." President Harry S. Truman's decision not to intervene in the Chinese civil war of 1946-49, for example, appears wise in retrospect, "not because Chinese communism was not odious, but because the United States could not ensure the victory of the Nationalists at tolerable costs and risks."

The realists and neorealists *do* have a point, Kaufman acknowledges. "Many American idealists have indeed slighted the importance of

power and rivalry in international politics." And many champions of democracy have failed to take into account the difficulty of promoting and sustaining democracy in hostile regions of the world.

The end of the Cold War may make the task of spreading democracy to remote areas less urgent. But the best feasible approach for post-Cold War U.S. foreign policy, Kaufman concludes, is one in which geopolitics, the promotion of democracy, and a Judeo-Christian conception of man and morality play major parts. This calls, he says, for "a vigilant and prudent internationalism."

---

**ECONOMICS, LABOR & BUSINESS**

---

**Smith's Poverty  
Of Notions**

"The Trouble with Adam Smith" by Thomas K. McCraw, in *The American Scholar* (Summer 1992), 1811 Q St. N.W., Washington, D.C. 20009.

Communism has failed, capitalism has won, and Adam Smith (1723-90) is the hero of the

hour. Yet McCraw, a Harvard historian, doubts that Smith's laissez-faire version of capitalism is the wave of the future.

**Now We Understand**

Ever wonder why economics is often incomprehensible? In *Economic Inquiry* (Oct. 1992), economists David N. Laband and Christopher N. Taylor, of Salisbury State University and Auburn University, respectively, explain why most economists are wretched writers.

*There are numerous margins upon which the professional acceptance and acclaim of an author's research findings may hinge. Writing style is but one of those margins. Other margins include, but are not limited to: the timing of the contribution, caliber of data, innovativeness of statistical technique, theoretical insight, and importance of contribution to the work of other scientists. By definition, a scholar cannot possess a comparative advantage with respect to operating on all of these margins simultaneously. It seems doubtful, if not extremely unlikely, that any scholar routinely maximizes on all margins simultaneously, without regard to the costs of doing so. The scholar who wishes to maximize his expected return per unit of work effort balances off the expected net marginal benefits of devoting resources to one aspect of his work against the expected net marginal benefits of devoting resources to any of the other aspects of his work. The efficient scholar operates at the point where expected net returns to incremental effort are equalized across all relevant margins of productivity.*

Smith had a profound aversion to any form of collective action, McCraw notes. For him, individuals and markets were "natural," but institutions and organizational hierarchies were not. Whether the organizations were guilds, universities, political groups, or even business corporations made no difference. "In Smith's world, something rotten is likely afoot wherever two or more individuals are gathered together, except as family members or in the unambiguous roles of buyer and seller."

Only agriculture, in Smith's view, was fully "natural." The Industrial Revolution, then just getting under way, was, he thought, nothing more than the division of labor. Smith failed to recognize, according to McCraw, the key roles of "machine production, fuel and water power, human entrepreneurship, state promotion of manufacturing, and, most important of all, technology."