two centuries old.

The Gulf War made several significant changes in the region manifest. First of all, Lewis points out, it marked the abandonment of the long-cherished dream of pan-Arabism. It was, after all, "a war between Arab rulers, in which America [only] reluctantly became involved" and in which Israel was only a brief distraction.

The war also revealed that oil is no longer an effective weapon in the hands of the producer countries. "At a time when the oil supplies from two major producers were cut off—Kuwait's by the Iraqis, Iraq's by the coalition . . . ," Lewis observes, "the price of oil actually fell." The power of the oil weapon is not likely to be restored, in his view. Not only are other sources of oil being found and developed, notably in the former Soviet republics, but oil's environmental and political drawbacks have spurred the search for other fuels. Oil producers realize that using their black gold as a weapon will only hasten the day when it will be superseded as an energy source.

Even more profound changes have come to the Middle East, Lewis points out, with the end of the Cold War. The most obvious is in the very definition of the Middle East. Its long-time northern limit—the Soviet frontier—no longer exists, and Tajikistan, Turkmenistan, and the other countries north of that line "are closely related to the countries south of it, speaking the same or similar languages, professing the same religion, and sharing the same historical memories." The newly independent republics are being assiduously courted by the Saudis, Iranians, and Turks. A new, enlarged Middle East is sure to emerge.

An even greater change—although not yet fully grasped by many—is the end of the era of foreign domination that began in 1798, when Napoleon Bonaparte landed in Egypt, then an Ottoman province, and occupied it with relative ease. The United States is now the world's sole superpower, with no serious challenge to its influence in the Middle East (or anywhere else), but it is not an imperial power. The countries of the Middle East now face "a challenging and, for some, frightening prospect: [that] of having to take responsibility for their own affairs."

In the past, *freedom* in Arab discourse has meant simply national independence and *democracy* has referred only to the sham parliamentary regimes that the British and French set up. Now, Lewis says, many Arab thinkers and writers are showing "a new awareness of the deeper meaning of freedom and a truer sense of democracy," and many of them argue that liberal democracy is the answer to the Arab world's problems. Whatever the outcome of this debate, Lewis concludes, the nations and peoples of the Middle East now hold their destinies in their own hands.

How to Stimulate Russia's Economy

"Yeltsin's Reforms: Gorbachev II" by Marshall I. Goldman, in *Foreign Policy* (Fall 1992), Carnegie Endowment for International Peace, 2400 N St. N.W., Washington, D.C. 20037–1153.

The Russian economy, twisted by seven decades of Soviet central planning, is the Gordian knot of reformers. Closing down unproductive factories is not sufficient, contends Goldman, associate director of Harvard's Russian Research Center. Successful reform means putting the products consumers want and need in their hands. Mikhail Gorbachev apparently did not appreciate that, and Goldman worries that Russia's President Boris Yeltsin may not, either.

Of the 12 economic reform proposals that Gorbachev considered (without ever fully implementing any of them), none "focused on that basic consideration, at least not in the short term," Goldman points out. Gorbachev began in 1985 by trying to stimulate production of machine tools. No visible improvement in daily life resulted, and the public, initially in favor of change, soon grew disillusioned. When Gorbachev resigned at the end of 1991, inflation was rampant and government monopolies remained intact. Racketeers had moved in on many of the few private enterprises that did emerge.

Yeltsin brought in a new team of economic advisers, many of whom were advocates of radical, Western-style reform. Although the Russian president endorsed privatization, he emphasized the need for a "one-shot" shift to a system of market prices—"shock therapy," as some called it. His comprehensive reform plan, unveiled on January 2, 1992, freed all prices from Moscow's control, with exceptions for bread, milk, and other basics. The Russian president hoped that higher prices would curb de-

Caribbean Conversion

Michael Manley, who was Jamaica's prime minister from 1972 to 1980, and again from 1989 to March 1992, used to preach state control of the economy and to say that Jamaican millionaires could "go to Miami." As he makes clear in *New Perspectives Quarterly* (Summer 1992), he has changed his mind.

I want the same thing now as I always wanted: I want poor people to stop being poor; I want the powerless to have new avenues to power. Is it so difficult to see that an honest man could look at reality and say, "I was wrong! Things don't work that way"?...

Like many leaders of the developing world just emerging from the long colonial experience, I believed strongly in the use of state power to promote social justice through the law. In this I haven't changed one iota....

But I also believed, like so many others, that the state had a central role to play not only in promoting economic development but in directing the economy away from the colonial patterns of dependence.... What we [leaders in the Third World] all wanted to do, through the strongest state intervention, was build a kinder economic structure that was internally separate from the world economy dominated by the former colonial powers. Then, we thought, we could better grapple with our poverty and underdevelopment.

The fact is we all seriously miscalculated the capacity of the state to intervene effectively. Despite the enormous sincerity we brought to the task, our nationalist and statist approach didn't work. And it didn't work for several reasons.

First, when one tries to use the state as a major instrument of production, one quickly exhausts the managerial talent that can be mobilized in the name of patriotism. Absent the profit motive, it was truly amazing how few managers one could find that were motivated solely by love of their country, and how quickly those noble souls burned out....

Second, the minute the state begins to intervene in the private sector a terrifying backlash sets in.... We thought an interventionist state and a strong market could exist in tandem, each complementing the other. But we rapidly discovered the truth. As soon as the state comes near, the private sector contracts, loses its confidence and moves its money out....

It is now clear to me that an unfettered market, not the imposition of political control, can be the most effective instrument of opportunity for the poor—but only if the state compensates for the market's tendency to concentrate power....

The state's remaining role, then, [is] to ensure fair competition and block monopoly without impeding the market incentive. If the state stimulates the inclusive, entrepreneurial process of wealth creation while checking the market's tendency to exclude through monopolization, it can remain an instrument of empowerment.

It is in this respect that I so admire the United States. The way the United States ensures the integrity of the competitive mechanism in the private sector is a model for the rest of the world.

mand and eventually stimulate production of more consumer goods.

The Russian economy since then has shown some signs of improvement, Goldman acknowledges. Indeed, by the next month, "goods began to reappear in some of the country's markets as existing hoards opened up and high prices drove many consumers out of the market." However, he adds, "production did not increase, and new producers did not suddenly appear." Why not? Privatization in Russia "is moving very slowly, especially in the agricultural sector," Goldman says. "There is still no clear sign that the private ownership of land will be allowed, and the state farm bureaucrats continue to undermine efforts to reduce their control."

Yeltsin should take a leaf from China's book, Goldman suggests. Deng Xiaoping's economic reforms are succeeding, he says, because they "allowed Chinese peasants to withdraw their land from the communes at the same time that the government began to encourage private manufacturing and trading. Taking advantage of the new economic opportunities, the peasants joined with a new breed of merchants and manufacturers in quickly expanding output." To cut the Gordian knot in Russia, Goldman says, Yeltsin must find a way to expand private property.