importance of skills and capital provided by overseas Chinese. "As was early-20th-century Shanghai, late-20th-century coastal China is in large part a foreign creation," Elegant writes.

Unless there is a restructuring of Chinese industry, Lardy concludes, "the phenomenal growth of trade and investment is likely to slow, leaving China to lag behind the high-performing economies of East Asia."

Yet even the spectacular growth of those economies may be destined to slow down, argues Paul Krugman, an economist at Stanford University, in a controversial *Foreign Affairs* (Nov.–Dec. 1994) article. Like the Soviet Union of the 1950s, the East Asian "tigers" (Singapore, Hong Kong, Taiwan, and South Korea) "have achieved rapid growth in large part through an astonishing mobilization" of labor and capital. Efficiency gains, which are essential to long-term growth, have played only a minor role in the countries' success. (Japan, says Krugman, is an exception: large gains in productivity helped fuel its early growth. But even its "miraculous" growth has slowed down.) Between 1966 and 1990, for example, Singapore's economy grew 8.5 percent a year, three times as fast as the U.S. economy. But, Krugman says, "Singapore's growth has been based largely on one-time changes in behavior that cannot be repeated." The employed share of the population almost doubled, from 27 to 51 percent, and education levels of ordinary workers rose. The country made "an awesome investment in physical capital: investment as a share of output rose from 11 to more than 40 percent." Singapore's case, Krugman acknowledges, is the extreme one, but "the basic conclusion" also applies to the other "tigers": "There is startlingly little evidence of improvements in efficiency."

"Nothing could be further from the facts," asserts Frank Gibney, president of the Pacific Basin Institute, in one of several rejoinders to Krugman in *Foreign Affairs* (Mar.–Apr. 1995). World Bank economists calculate that one-third of the growth of "high-performing Asian economies" (which include Indonesia, Malaysia, Thailand, Japan, and the four "tigers") is due to increased productivity.

Krugman is unrepentant. Even the World Bank's 1993 study, *The East Asia Miracle*, he says, "does not remotely support the almost universally held view that the newly industrializing Asian nations are rapidly converging on Western levels of efficiency." Indeed, he is quoted in the *Economist* (Dec. 9, 1995) as saying, raising efficiency is much harder than increasing "inputs"—"and there is no evidence that Asian countries know how." If such views have not made the professor very popular in certain Asian lands, the magazine observes, they may help allay Western fears about the Asian "miracle" and, by doing so, ease the pressure for protectionism.

Take This Check, Please

"Trends in Unemployment Insurance Benefits" by Daniel P. McMurrer and Amy B. Chasanov, in *Monthly Labor Review* (Sept. 1995), Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Suppose the government had money to give away, but hardly anybody took it.

Unbelievable as it may seem, that is an accurate description of the nation's unemployment insurance system. Since the 1940s, the proportion of jobless people who receive unemployment benefits has dropped from about 50 percent to roughly 30 percent—even though unemployment coverage was extended to more than 90 percent of the population.

McMurrer and Chasanov, both policy analysts at the Advisory Council on Unemployment Compensation, say that demographic changes provide much of the explanation. Beginning in the 1960s, the labor force was swollen by youths and women—groups historically less likely to file for benefits. And people in two-earner households, another rapidly increasing group, also seem to feel less urgency about filing. Another factor: the decline of manufacturing and of labor unions, which help members claim benefits.

The Future of the Welfare State

Is the era of Big Government over? In an interview in *New Perspectives Quarterly* (Winter 1996), economist John Kenneth Galbraith offers his view.

Certainly, the welfare state doesn't inspire the enthusiasm and sense of achievement it did 50 years ago in the days of the New Deal. But there should be no doubt the welfare state is here to stay. So is some element of government support of the economy in times of high unemployment and depression. These things are not a result of the invention of liberals like Galbraith, but part of the thrust of history.

Let us take health care as an example. The struggle over public health care doesn't result from the fact that some people want it and some don't. It arises from the fact that surgery and medical care have so advanced at such enormous cost that the question must now be faced as to whether people ought to die for lack of money. This is something that no civilized country can accept. Medical care provided by the state is therefore inevitable.

A big dip in the share of the jobless drawing unemployment checks occurred between 1980 and 1984. The authors cite two key causes: the states tightened eligibility standards and benefits became partially subject to federal income taxes in 1979 (and fully taxable in 1986).

Why worry? There is a reason beyond the fact that the unemployed are entitled to benefits, the authors say. Unemployment insurance was designed to function as an economic stabilizer, pumping money into the economy when times are tough. (Total outlays in 1993 were $22 billion.) That won't work if the jobless don't draw checks.

The Rise of Management Consultants

"The Origins of Modern Management Consulting" by Christopher D. McKenna, in *Business and Economic History* (Fall 1995), Dept. of Economics, College of William and Mary, Williamsburg, Va. 23187.

Management consultants are to the corporate world what big-name athletes are to professional sports: sometimes loved, sometimes hated, but always very well compensated. In 1993, AT&T paid out more to management consultants than it spent on research and development. While it's generally assumed that management consulting grew directly out of the "scientific management" movement fathered by Frederick W. Taylor (1856–1915), its origins were quite different, argues McKenna, a historian at Johns Hopkins University.

By the late 19th century, American big business had grown large enough to require outside advice. Most of this advice came from major banks, which enjoyed far more intimate contact with their corporate clients than today's banks do. They owned stock, lent money, and often took an active role in management—sometimes including a seat on the board of directors. The banks began to draw in the specialized consultants: chemical engineers such as Arthur D. Little for engineering advice, accounting firms such as Arthur Anderson and Ernst & Ernst for outside audits and financial advice, and large corporate law firms.

But the Glass-Steagall Act of 1933 and the establishment of the Securities and Exchange Commission in 1934 ended all that, forcing banks to choose between commercial and investment banking and to sever their close ties with their corporate customers.

"The new institutional arrangements in banking opened up a vacuum into which firms of management consultants rushed,"