

schools unavailable, but education may not even be valued.

International pressure to reduce child

labor does some good, she concludes, but ultimately, “a cultural change . . . has to come from within developing countries.”

Shock Economics

“A Shocking View of Economic History” by Larry Neal, in *The Journal of Economic History* (June 2000), Karl Eller Center, 202 McClelland Hall, Univ. of Arizona, P.O. Box 210108, Tucson, Ariz. 85721-0108.

Neal, a professor of economics at the University of Illinois at Urbana-Champaign, has some earthshaking advice for his fellow economists: Act like geologists!

He urges them to stop thinking of their discipline as an exercise in applied mathematics, and look on it instead as a historical science, like geology. Just as geologists range the globe, “search[ing] in each location for the remains of catastrophic events in the history of the earth itself,” so economic historians, he says, should focus more on the “shocks” to economies of the past, rather than on the longer periods of “normal” economic activity, undisturbed by depression, war, or natural disaster.

“Like modern geologists,” writes Neal, “we economic historians need to become comfortable in thinking about the economic activity of the human race, not merely in terms of gradual movements of technical and economic progress occurring by insensible degrees, but also as shoved on occasion by shocks, many barely noticed, some easily absorbed, and a few with cataclysmic consequences.”

Consider, for instance, Neal says, the role that immigration has played in German economic performance, as a result of major population shocks during the last century. After the loss of military-age men during World War I, Germany had no postwar baby boom, then experienced the “birth dearth” of the Great Depression, the further loss of military-age men in World War II, and again, curiously, no postwar baby boom.

West Germany owed much of its economic success in the 1950s to educated, ambitious immigrants from East Germany, and met the increased demand for labor in the booming 1960s with immigrants from Yugoslavia and Turkey. But in 1990, as Germany was being reunified and the Soviet Union was collapsing, West Germany adopted a different “shock absorption” policy: It effectively stopped the flow of immigrants from the former East Germany, by artificially boosting the value of the east’s currency and reducing workers’ incentive to move. Instead of labor moving westward, capital moved eastward. “Ten years later,” Neal says, “this policy does not appear nearly as fruitful as the policy adopted by West Germany in the 1950s.” If economic historians had done more work “explor[ing] the ramifications of [the population] shocks,” that might have been foreseen.

Concentrating on “normal” periods of economic activity has produced “empirical findings . . . only too reassuring” to theoretical economists committed to “a ‘stylized fact’ of a stable, equilibrium-seeking, self-contained economic mechanism that rules our lives,” Neal says. But studying shocks, instead of shrugging them off as anomalies, “should yield insights into the shock-absorption capacities of different economic structures.” That, he hopes, would lead to “a paradigm that encompasses more of the actual human experience”—perhaps even to “the equivalent of a tectonic plate revolution.”

Megamerger Mania

“The Dubious Logic of Global Megamergers” by Pankaj Ghemawat and Fariborz Ghadar, in *Harvard Business Review* (July–Aug. 2000), 60 Harvard Way, Boston, Mass. 02163.

Everywhere one looks in the globalizing economy, companies seem to be rushing pell-mell to join forces with other compa-

nies: Exxon with Mobil . . . BP with Amoco and Atlantic Richfield . . . Chrysler with Daimler-Benz . . . Ford with Volvo . . . and