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

on and on. Executives apparently believe that bigger is better, that industries inevitably will become more concentrated as the world's markets become more integrated—and that only the few biggest firms in each industry will survive. "But there's no evidence" to support that, contend management professors Ghemawat, of Harvard Business School, and Ghadar, of Pennsylvania State University. "It seems there is often a pathology involved."

Business executives have long tended to subscribe to benign versions of Karl Marx's view that a continually dwindling number of capitalists would eventually monopolize everything, Ghemawat and Ghadar observe. The famous "rule of three," for instance, formulated by management consultant Bruce Henderson in the 1970s, was that a stable competitive market never has more than three significant competitors.

"Many business thinkers assume" that the theory of comparative advantage, originally propounded by English economist David Ricardo (1772–1823), "points toward industry concentration," write Ghemawat and Ghadar. Studying Portugal and England, Ricardo showed that so long as Portugal was better equipped to make port and England to make cloth, then both countries would benefit by specializing. But his theory, say the authors, "simply predicts the geographic concentration of production, not concentration of the number of companies in an industry." The port business is indeed centered in Portugal today—but more than 30,000 small companies and 70 shippers engage in this export trade.

Economies of scale are "perhaps the biggest driver of industry concentration," but those economies have to be very large to produce much concentration, Ghemawat and Ghadar assert. A big technological change, for instance, may allow fast-moving companies to drive out others.

But that does not often happen, they say, after studying data on more than 20 industries. Since World War II, "global—or globalizing—industries have actually been marked by steady decreases in concentration." The oil industry, with more than 20 competitors of equal size now in the field, "is . . . far less concentrated today than it was 50 years ago." And the auto industry, while much more global today, "hasn't become more concentrated" than it was then either (despite the loss of competitors in the 1990s, with the Daimler-Chrysler deal and other international mergers).

Even when a wave of mergers does reduce competition, as has happened recently in the aluminum industry, "it is often unclear whether the trend makes economic sense" for the firms, Ghemawat and Ghadar maintain. "To profit from dominating in a concentrating industry," a company must do such things as cut production costs, reduce risk, or increase volume—and these are often easier said than done. The expenses entailed in the deals may outweigh the actual savings that result. But managers, biased in favor of mega-mergers, may irrationally go ahead anyway, Ghemawat and Ghadar assert. Even if the particular industry is becoming more concentrated, they advise, managers would do better to stop first and think hard about alternative strategies. Size, after all, isn't everything.

Society

Spinning the Spinsters

"'The Best or None!' Spinsterhood in Nineteenth-Century New England" by Zsuzsa Berend, in *The Journal of Social History* (Summer 2000), Carnegie Mellon Univ., Pittsburgh, Pa. 15213.

In the eyes of some historians, 19th-century New England spinsters were pioneering protofeminists who spurned marriage in the name of autonomy and feminine empowerment. Berend, a sociologist at the University of California, Los Angeles, says that portrayal is all wrong. In her study of diaries and letters of some 40 white, middle-class, Protestant spinsters of the period, she found that, though the women elected to remain single, they regarded marriage as the highest expression of God's will and "earthly happiness."