

but rather by excess. Smith believed that a free market could instill certain virtues—prudence, restraint, industry, and frugality—by making those virtues profitable. But Levin says that Smith “understated—and perhaps underestimated—the challenges of sustaining moral norms amid economic dynamism.” Capitalism cannot provide sufficient moral authority on its own. Instead, we must rely on “deeper wells”: family, religion, and tradition.

Levin’s prescription: The government must take an aggressively pro-market approach, not to be confused with its current pro-business disposition, in which technocrats aid favored firms and sectors. Ultimately, the fight over capitalism is a struggle over democracy. Technocrats claiming authority based on science and expertise are bent on overturning the democracy of the marketplace. If they have their way, they’ll undo our prosperity and the society built upon it.

## ECONOMICS, LABOR &amp; BUSINESS

## Debt Karma

**THE SOURCE:** “Political Institutions and Foreign Debt in the Developing World” by Thomas Oatley, in *International Studies Quarterly*, March 2010.

POOR COUNTRIES AND ENORMOUS foreign debt go hand in hand—that is, except for the one-third of all developing countries that regularly borrow from abroad and haven’t wound up with a serious debt problem.

What enables these all-stars to escape owing huge sums to foreign creditors? Democracy, theorizes Thomas Oatley, a professor of international political economy at the University of North Carolina, Chapel Hill.

The 40 most heavily indebted developing countries entered the 1990s owing an average of 220 percent of their gross domestic product (GDP). Research into why some countries ended up so

far underwater has suggested that the key factor was simply bad luck: oil price shocks, recessions in industrial countries, weak commodity prices, high interest rates. But in his study of 78 developing countries from 1976 to 1998, Oatley sees little evidence that such factors have significant long-term effects. Political institutions, he finds, provide a much better explanation. Over a 20-year period, an average autocracy would rack up twice as much debt as a percentage of GDP as an average democracy.

What accounts for the variation? Autocracies, perhaps because of doubts about their long-term survival, borrow recklessly and spend unwisely, often wastefully. Their economies stagnate, leaving little tax base from which to draw revenue to pay back the debt. One such country, Zambia, increased its foreign indebtedness as a percentage of GDP by an average of nine points per year

## EXCERPT

## Keynes’s Club

“Keynes is back.” It is a familiar cliché, but also an enigma. Enigmatic, first, because [John Maynard] Keynes, the most influential economist of the 20th century, never really left. Like it or not, we live in a macroeconomic world elucidated by Keynes and those who followed in his footsteps. Even Robert Lucas, who won a Nobel Prize for his criticisms of conventional Keynesianism, said in response to the financial crisis:

“I guess everyone is a Keynesian in a foxhole.”

But enigmatic also because Keynes himself was never with us. From his vast writings, a few ideas were quickly distilled into analytical tools and policy prescriptions that became known as “Keynesianism.”

This produced some stark differences between Keynes’s ideas and those that bore his name. Once, after a wartime meeting with American economists, Keynes observed, “I was the only non-Keynesian in the room.”

—JONATHAN KIRSHNER, author of *Appeasing Bankers: Financial Caution on the Road to War*, in *Boston Review* (May–June 2010)

from 1975 to 1991, when it hit 210 percent.

Democratic regimes, by contrast, tend to invest their borrowed money, which over time ensures a more stable, growing economy, and, as a result, debt shrinks as a percentage of GDP. With reasonable tax rates, they

are able to service their loans. Democratic Botswana, for example, saw its foreign debt burden fall by 1.6 percentage points per year from 1975 to 1991.

Oatley says that the results of his study provide some basis for optimism. Countries “are not driven ever deeper into poverty by

a hostile global economy over which they have little influence,” he writes, and political reform can help push societies toward better policies. But those who promulgate widespread debt forgiveness should be wary: Their policies may help autocracies most.

## POLITICS & GOVERNMENT

# The Tea Party's Short Sip

**THE SOURCE:** “The Tea Party Jacobins” by Mark Lilla, in *The New York Review of Books*, May 27, 2010.

POPULIST MOVEMENTS OF days past aimed to seize political power and use it for the benefit of “the people.” Not so with today’s Tea Party, observes Columbia University humanities professor Mark Lilla. It seeks to neutralize, not use, political power. It has only one thing to say: “I want to be left alone.”

Such “radical individualism” is not new to the American scene. It was the driving force behind both the 1960s-era shift to the left on social issues (sexual liberation, divorce, casual drug use) and the ’80s-era move to the right on economic issues (individual initiative, free markets, deregulation). Today’s Tea Partiers, “the new Jacobins,” as Lilla calls them, are characterized by two classic American traits: “blanket distrust of institutions and an astonishing—and unwarranted—confidence in

the self. They are apocalyptic pessimists about public life and child-like optimists swaddled in self-esteem when it comes to their own powers.”

These attitudes drive the large numbers of Americans who choose to homeschool their children, who refuse to get vaccinated, and who spend “over \$4 bil-

lion a year on unregulated herbal medicines, despite total ignorance about their effectiveness, correct dosage, and side effects.” Lilla writes, “Americans are and have always been credulous skeptics. They question the authority of priests, then talk to the dead; they second-guess their cardiologists, then seek out quacks in the jungle. Like people in every society, they do this in moments of crisis when things seem hopeless. They also, unlike people in other societies, do it on the general principle that expertise and



Most populist movements demand government action. Not so with today’s Tea Party. Its supporters have one simple message: Leave us alone. Above, an April rally in Boston, home of the original Tea Party.