humor, or caprice?" asked President George Washington in his Farewell Address of 1796. Was he, as many isolationists have since claimed, enunciating eternal principles of isolationism, of peace and neutrality toward all nations? Not at all, maintains Rossignol, a professor of English and American studies at the Université Paris VII-Denis Diderot.

True, she says, Washington did urge his countrymen to adopt this "great rule of conduct" toward foreign nations: "in extending our commercial relations to have with them as little *political* connection as possible." But he was not laying down a timeless standard, just being realistic, she argues. The United States was then a small nation of four million people whose army two years before had only barely defeated the Northwestern Indians after five years of violent clashes. Aided somewhat by Britain and Spain, Indians remained a significant threat in the South. And the United States was also just recovering from a severe economic crisis. At the time, Rossignol says, it "made good economic and military sense" to avoid European entanglements. That did not preclude U.S. military action when vital interests were at stake, she notes. "The United States had its own frontline in the 1790s; it was on the [western] frontier, not on European battlegrounds, that its soldiers fought."

An edict for all time?

Indeed, Rossignol observes, Washington himself did not rule out America's participation in European conflicts at some time in the future: "If we remain one people, under an efficient government," the president said in his Farewell Address, "the period is not far off when . . . we may choose peace or war, as our interest, guided by justice, shall counsel."

ECONOMICS, LABOR & BUSINESS

The Not-So-Miraculous 'Asian Miracle'

A Survey of Recent Articles

For years, Asia's economic "miracles" have preyed on the American mind. First it was Japan, then it was the East Asian "tigers," and now it's China. The Chinese economy has been in overdrive for a decade, leading the world with annual growth rates of up to 14 percent. America's trade deficit with China hit $33.8 billion last year, while the U.S.-Japan trade gap was $59.3 billion. All of this has fed the American suspicion that inimitable "Asian values" are at work—and that the 21st century may be a long and unpleasant one for the United States.

Lately, however, a number of economists have sharply questioned the conventional view of Asia's economic successes. In the *Brookings Review* (Winter 1996), for example, Nicholas R. Lardy, a Senior Fellow at the Brookings Institution, points out that the lion's share of China's increased exports is being produced by foreign firms.

From only $320 million in 1985, barely more than one percent of total exports, the country's exports of goods assembled from foreign components, such as machinery, electronic products, and clothing, soared to about $35 billion in 1994. China's inefficient state-owned firms, which in 1986-87 accounted for more than four-fifths of export growth, in 1991–92 accounted for only one-fifth. "Reliance on foreign firms is not a problem per se," Lardy says, "but, combined with the protection provided to state-owned industries, it has inhibited productivity growth."

Veteran Asia correspondent Robert Elegant seconds Lardy, emphasizing in *National Review* (Nov. 27, 1995) the

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.