



Heading South

by Michael Ledeen

The old order spins ever more violently out of control, making it increasingly difficult to get our bearings. Around the periphery, the teeming masses are restless, now rallying to the banner of Islam, now to ancient ethnic, tribal, or racial loyalties, now again to nations believed long gone. Countries once thought stable are falling apart: Czechoslovakia divided, Italy on the verge of disintegration, ex-Yugoslavia in full fission, and Russia slowly reaching critical mass. At the center, Europe dithers as Clinton "does foreign policy," the very language testifying to lack of content, as his spokespeople confirm "continuity in foreign policy," which is to say we shall not have much of the vision thing from this president, either.

To be sure, it's a tough job, in part because most of the formerly-conventional wisdom is now upside-down, and in part because Clinton is himself so wrong-headed that it's hard to imagine his grasping what is actually going on. The formerly-conventional wisdom rested on the assumption that "stability" was central to our foreign policy objectives, and hence we had to "manage" crises. The map of the world was considered fundamentally stable, with only minor variations (particularly in and around Israel) possible or even desirable. And the central role of government in managing all problems went unchallenged. In the current revolutionary convulsion, stability is out of the question, and we must either lead the worldwide movement that we inspired despite ourselves, or face the whirlwind of an embittered generation that will condemn our betrayal. The point is not to manage the world, it is to change it.

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The Second Democratic Revolution has so far toppled the military dictatorships of Latin Europe and Latin America, sent the Soviet Empire to the dustbin of history, frightened the gerontarchs in Peking, and inspired much of Africa, but our leaders have yet to grasp its true import. If they did, they could not possibly continue to speak and act as if more government were the solution to most of mankind's problems. For the Second Democratic Revolution, as its eighteenth-century progenitor, is inspired by faith in the creative powers and energies of the individual, and resists the arrogant and stifling powers of the state. That is why the European leaders are in such disrepute with their electors, and it is why Clinton's negative ratings are rising like the incoming tides. The new president would do well to pay attention to France, where François Mitterrand's Socialists have received the most resounding defeat in the history of electoral politics. Mitterrand lingers on, but as an enthroned anachronism, a reminder of failures past.

But the most chilling lesson comes from Italy, which has long been Europe's political laboratory. In this century alone, the Italians have given us Fascism and Eurocommunism, and now they are showing us what happens when the populace turns on the *stato ladro*, the thief-state. Postwar Italy was built on an intimate relationship between government and business, with Rome deciding which businesses should be enriched, and the spoils divided among the various political parties. The Communists were double-dippers, taking some money from the system, and other funding from Moscow and related business activities in pro-Soviet Third World countries. Over time, the Mafia became part of this game,

generating even more money. The system survived for several generations, for while everyone knew that the taxpayers were paying a high premium (perhaps as much as 30 percent of some contracts was recycled to the parties), it provided lots of jobs (in both government and big business). But the system forced Italians to jump through some very high hoops to create new wealth: many factories ran "black" shifts when workers were paid in cash (and they worked far more productively than during their "official" hours), and many small and medium-sized companies sprung up to compete in the international market. Thus, alongside the planned economy, a free market developed, and this free sector drove the Italian economic miracle to spectacular levels. With Italy passing England to become the world's fifth industrial power, most Italians preferred to leave well enough alone, even though they knew the system was crazy. Moreover, the alternative to the system was Communism, and this was unacceptable to the majority of Italians. With the defeat of Communism, this barrier was removed, and the judiciary swung into action. Today the Italian political and business elite is either in jail or dreading it.

Sound familiar? The Italian case is clearer than most, because the government-big business alliance was so blatantly corrupt, but extreme cases help clarify the consequences of such an alliance. In Italy today, the traditional political parties have been destroyed and a new force, the Lombard League, has emerged. The League represents northern Italy (anything above Rome), and wants independence or at least greater autonomy. In real terms this means it wants to end the postwar policy of paying off the Southerners to stay put—another aspect of the social-engi-

neering state. It wants the Southerners to stay put *without* being paid.

Every country has its "South," and most of us have followed the Italian example by paying our Southerners (or Irish, or blacks, or Turks) to stay where they are, shut up, and not cause trouble in our neighborhoods. The most recent converts to this foolish system are the Germans, who are expending a fortune to keep the East Germans where they are, subsidizing nonproductive industries, subsidizing housing, subsidizing most everything. This policy—along with similarly idiotic subsidies for favored companies in West Germany—has driven Germany into economic crisis, proving once again that even the strongest economic system can be gutted by an excess of central planning. The only sensible solution to the problem of the "South" is to get government out of people's way and let them compete with the rest of us. That they start at a disadvantage is no excuse for massive government intervention that only prolongs their agony. If the channels of upward mobility are sufficiently open, they will generally find a way out of their plight.

The notion that government is smarter than the people, and should guide investment, R&D, and production, is not limited to countries with "Southern" problems. Most recently the Japanese have proved that even their wise men are fallible, and the consequences have been terrible indeed. It is astonishing that the political fallout from the Japanese economic nightmare has not been more pronounced (imagine what would happen here if the stock market crashed by 60 percent!), a testimony to the staying power of an ethnically homogeneous society with a strong social tradition. But the corruption of the Japanese system is, if anything, even worse than Italy's, and the day of reckoning will eventually arrive there as well.

All of this should serve as a guideline for policy toward Russia, where an entire nation is "the South." Yeltsin is asking for money to save his "reform program," but the reforms he is calling for are timorous, and more in line with the failed Italian model than with the norms of democratic capitalism. There is very little private property in Russia today, and such as exists is either the result of wild-cat entrepreneurship or the occasional

privatization of big state-owned companies. You can't have capitalism without private property, and you can't have a modern economic system without fully convertible currency. Yeltsin blew his big chance after the failed coup attempt that swept aside the Communist Party, and now faces a resurgent old guard and a cynical populace. If we're going to invest in the Russian future, we'd better insist that Yeltsin find a way to blow up these massive roadblocks. Otherwise, stay out, because no amount of money can save Russia as presently constituted.

It is most unlikely that the Clinton administration will adopt such a policy, because we seem about to repeat the mistakes that have so badly damaged the Italians, Germans, and Russians. The president believes in government, wants a more intimate alliance between government and business, thinks that a bunch of clever people can outguess the market, and insists that the government be given more and more money so that it can make more



and more decisions. This theory comes from the intellectual elite of American liberalism, a hoary anachronism in the Age of the Second Democratic Revolution. The Pope, it is said, has forecast that the last Communist will be an American nun, but she will have to compete with some resilient survivors in our academies and think tanks, many of whom are now taking up residence in the federal government.

The present state of liberal confusion is well demonstrated in Paul Kennedy's latest tome, *Preparing for the Twenty-First Century*.¹ It is a book that does not parse, because—perhaps stung by the colossal errors of his last opus, in which he forecast the demise of the American "Empire," and

opined that both Japan and the Soviet Union had greater stability—all bets are hedged. It is difficult to tell, for example, whether he really believes in the forecasts of Global Warming (sometimes he accepts it as proven, other times he writes about what might ensue "if it is accurate"), and here and there one finds an encouraging humility about prophecy. The book is not so much an essay as a compendium of all the things that might go wrong in the near future (population explosions, ecological disaster, war, famine . . . the usual collection), and it is woefully short on remedy. But insofar as Kennedy is inclined to prescribe (aside from anodyne calls for better education, greater opportunities for women, and better political leadership), it is to weaken nation-states in order to strengthen larger governing units with even more power to shape policy and hence to regulate human behavior. Nowhere is there an appreciation of the enormous political energies that have been unleashed in the recent past, and nowhere is there a recognition of the great cry for freedom that inspires our time.

What do we ask of our leaders in the age of revolution? We ask that they appreciate us, that they give us their confidence by removing the burdens that the megastate has imposed upon us, that they trust us to spend our money at least as wisely as they can, and that they provide us with examples of courage, culture, and probity. The president fancies himself a modern populist, taking his show on the road more often than facing the press in Washington; let him then talk to the welfare mothers and chastise them for bringing so many doomed children into the world. Let him chastise the school teachers and university administrators who have caved in to fad instead of maintaining the timeless standards that alone produce educated citizens. Above all, let him fulfill his most important campaign promise and reduce the weight of bureaucracy.

But he is quite clearly not inclined to do these things. Indeed, he is hell-bent on taking the opposite course, and that will lead him where it has led the others. And when it is over, he and we will have paid a high price for the foolishness of intellectual hubris, and hopefully there will still be time for us to reassert our revolutionary principles and reenter the mainstream of modern history. □

¹Random House, 428 pages, \$25.



The Permissive Right

by Herbert London

The media have discovered a new political darling: William Weld, the governor of Massachusetts. Here is the quintessential hero for the Deficit-Cutting Era: a fiscal conservative and a social liberal. The *Wall Street Journal*, relying on economic data, described him as the most effective governor in the country. *New York Times* editors have been no less effusive in their praise. From all that has been written, he may be perceived as Moses leading the Republican Party to the promised land on Pennsylvania Avenue and rewriting the political Talmud to say markets work, but social issues should be kept in the bedroom.

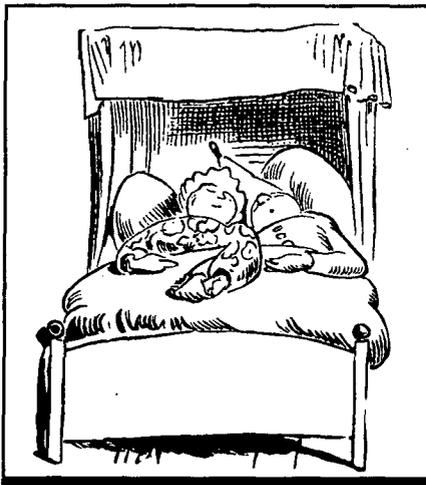
Weld is not alone. There are libertarians, who believe the government should restrict its activity to defense matters. There are neoconservatives like Irving Kristol, who claim the cultural wars are over and our side lost. There is even William F. Buckley, who argues that the abortion question should be removed from politics.

Why has no one pointed out that fiscal conservatism and social liberalism are incompatible? If it isn't possible for most individuals to sustain a high standard of living and control expenditures while holding libertine attitudes about sex, morality, and discipline, why should it be possible for societies? When poor women have children out of wedlock, an enormous burden gets placed on society in the form of remedial education, high crime rates, drug abuse, and the full range of aberrant behavior. As a consequence of illegitimacy, government expenditures will inevitably increase. When governors do not criticize

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this behavior or dismantle the bureaucracy that enables it to occur, all their fiscal proposals ultimately come to nought.

Similarly, the economy is affected by family breakdown and social anomie. As Schumpeter, Weber, and Daniel Bell pointed out, capitalism depends on the requisites of moral rectitude. If employees aren't punctual, use drugs, and engage in anti-social acts, then performance on the job will be adversely affected. Theoretically, in a free-market environment such problems would be addressed by firing the miscreants. But, in fact, welfare-state capitalism accommodates the very behavior that militates against employee output. Capitalism can produce wealth and wealth can produce social permissiveness, which in turn can undermine the behavioral requisites on



which capitalism depends. This is a classic case of the cultural contradictions of capitalism.

When urban residents react against high crime rates and begin to assume that their private property is only temporarily in their possession, businesses will leave the city, jobs will flee as well, and the tax base will erode. Here is the New York-Los Angeles scenario.

It is predictable for Democrats to concentrate on the economy ("... Stupid!") during a downturn. But Republicans are seemingly jumping on this bandwagon and concentrating on the economy to the virtual exclusion of social issues. The keep-these-matters-in-the-bedroom wing of the party is in the ascendancy. What these advocates neglect to point out is that government is promoting a social agenda through welfare policy, the schools' curricula, and arts subsidies that have taken social issues from the bedroom to the streets. The very people who would "keep these matters in the bedroom" covertly promote a social agenda through the Children of the Rainbow curriculum, bias bills designed to appease homosexual activists, subsidies for artists which are often employed for a radical agenda, condom distribution in the schools, and multicultural textbooks.

Lest I create the impression that I see Weld as a Republican Ted Kennedy, let me emphasize that I think he was both right and courageous in leading the charge for spending restraints and tax cuts in Massachusetts. But I'm convinced that all his reforms won't amount to a hill of beans in a welfare environment that keeps expanding its client base.

Since the 1960s, state and federal governments have spent more than \$3 trillion attempting to address social problems in inner cities with little if anything to show for it. In fact, latitudinarian social behavior promoted and abetted by social liberals in both parties has led inexorably to an ever growing government expense to address the problems permissiveness has caused to flourish. For example, liberals were appalled when Senator Daniel Patrick Moynihan said the effect of illegitimacy in the black community would undermine the family by causing young women to be married