

Government in the MACHINE AGE

By Tom Bethell

Something about the machinery and factories of the Industrial Age encouraged the belief that society's problems could be addressed more efficiently if political power were centralized. In taking people out of their homes and putting them into factories, the Industrial Revolution gathered a scattered population into urban centers and centralized production. It seemed only logical that government should follow suit. We see this idea gathering steam in the late nineteenth century. By the Progressive Era at the turn of the century, it is unmistakable. Science had begotten those big new machines, and the success of science and the efficacy of the machines worked together to "set the stage," as the progressive historian Charles Beard proclaimed, for explosive expansions of government in the twentieth century. Many regimes became boundlessly domineering.

This trend toward centralization of state power reversed earlier political thought. In 1800 it was understood that power is a hazardous thing that should be fenced in and subdivided. Protections for private property dispersed power, constitutions restrained it, and the ballot box democratized it. But in the twentieth century all these instruments of decentralization were subverted. Their prestige lingered on, however, and this meant that the centralizers often had to work by subterfuge. Tyrannies called themselves People's Democratic Republics, and constitutions were artfully rewritten by dictators to retain the rhetoric of self-rule while jettisoning the substance.

The new political philosophers appealed to Science (often deferentially capitalized), and made their centralizing mission look pragmatic and "value free." Leading liberal Herbert Croly, for instance, suggested in the early decades of the twentieth century that individual rights might have to be swept aside if they didn't meet the test of "functional adequacy." Perhaps "collective rights" should supplant individual rights. Socialists were quick to plant the idea that socialism was nothing but Science applied to

society, and few saw that this would legitimize tyranny. Lenin rode this wave of Scientific Socialism, defining communism as "Soviet power plus the electrification of the entire country." Combining detailed Five Year Plans and government force, he and his comrades tried to direct their peoples in dramatically new directions.

National planning, the inevitable corollary of centralized power, was a new idea in the twentieth century. It depended on two things: the central accumulation of vast quantities of information, and the willing reversion of millions of people to order-taking serfdom. Both these objectives proved to be unattainable.

National planning began in the 1914-18 war economy of Germany. It was soon seized upon by intellectuals as a rationale for subordinating individuals and their property to the state, both in war and in peace. By 1918, the American philosopher John Dewey had divined "the social possibilities of war." If property could be taken in time of battle, why not amidst peace? Dewey anticipated that even after the stress of world war passed, many of the special agencies of control that grew up during the emergency would live on. The accumulated governmental authority "will never go backward," he predicted, and the graph of federal spending found on page 47 indicates he was basically right.

Lenin's first national plan was published in 1920. It had been drawn up "by the best scientists in our Republic," he told *Pravda* readers. Over 180 accredited experts had contributed their wisdom, 200 books had been consulted, and the fuel budget for the entire Soviet Union for the next decade had been worked out. The number of workers needed nationwide had been calculated, and answers to "all the principal questions" had been delivered.

By the following year, however, little was happening. What was holding things up? A frustrated Lenin concluded that “the conceit of the bigwigs” and “journalists” were to blame. But the real answer was simpler. For example, according to the plan, everyone would need two pairs of shoes. By simple math, that meant 300 million pairs should be forthcoming. But Lenin didn’t say anything about sizes. Or types. Or where they would be made, or where delivered. And of course collecting that information from Omsk, Tomsk, and Siberia could have taken until the end of time. “In the end,” conclude the Russian authors of *Utopia in Power*, Lenin’s plan “remained on paper.”

In *The Russian Revolution*, Richard Pipes described the Soviet experience as “the most audacious and most determined effort in the entire history of mankind to reshape human nature and redesign human society.... It was something new in history both in conception and implementation: An attempt to launch humanity, by compulsion, on paths it had given no prior indication of wishing to tread.” In September 1991, Boris Yeltsin came to the same conclusion, referring to the Soviet Union as an “experiment which was conducted on our soil” and “a tragedy for our people.”

While the Soviets were launching their experiment, parallel developments were occurring in Latin America. Porfirio Diaz, the dictator who ruled Mexico from 1876 to 1910 (while the Czars were reigning in Russia) had encouraged trade and foreign investment, honored debts, paid off bonds, and preserved the peso. By the end of his administration, Mexico’s level of economic development was closer to that of the United States than it has ever been since.

So rapidly was capitalism advancing that Diaz’s successor, Francisco Madero, worried that rebellion had lost its “prestige.” The people were acquiring “material interests” so extensive that they were becoming a “factor against revolt.” The same thing was happening in Russia, where Bolshevik revolutionaries saw that Prime Minister Peter Stolypin’s reforms granting private land allotments to peasants were likewise working “against revolt.” Peons too comfortable to rebel! The great nightmare of the twentieth-century intelligentsia!

Mexican revolutionaries began beating the drums of nationalism, deploring the “devastating incursions” of “foreign influence.” Property rights had been handled badly by Diaz, who missed the opportunity to institute a modern legal system. After he was gone, control of property was centralized by the 1917 constitution. Individuals and corporations could retain possession—unless the state said otherwise. Private ownership became “protean, flexible, and malleable to the will of the state,” observed Frank Tannenbaum. Costly state regulations created a privileged ruling class capable of navigating the system, and blocked upward mobility.

Then came the large-scale Mexican expropriations of the socialist regime of Lazaro Cardenas—the “robbery under law” described by Evelyn Waugh in his rare book of that title. Property was seized by the state in exchange for worthless bonds, churches were closed, education subordinated to socialist propaganda, mineral

Tom Bethell is Washington correspondent of The American Spectator and author of *The Noblest Triumph*.



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resources nationalized. Oil production, 165 million barrels in 1925, fell to one-fifth of that level by 1944. Inflation got under way in the 1930s and was allowed to rage, eating up private savings and dissolving government debt, as it does right up to this very day.

Despite progress in the 1980s and '90s, Mexico, like Russia, has not recovered from this prolonged centralization of power. The nation has no proper rule of law and inadequate property rights. The most conspicuous result of its 80-year experiment in centralism is that, instead of capital flowing south to create jobs, Mexicans must trek north in search of jobs. Americans who deplore the influx of millions of Mexicans might turn their attention to the defective institutions that have encouraged this human migration. Mexico’s poor, like people everywhere, would prefer to live with their own families in their own country, if only they could find work there.

Centralism also came to China this century, although the preferred euphemism is to say that the country was “unified.” The pre-Communist regime of Chiang Kai-shek has been so tirelessly disparaged that the unwary reader will agree, under pain of seeming insensitive, that, yes, Mao uplifted the masses. What is now abundantly clear, however, is that a country that had been rapidly developing was set back perhaps 50 years by Communist rule.

The recent book by Mao Tse-tung’s personal physician Dr. Li, *The Private Life of Chairman Mao*, will make it harder for future revisionists to sugarcoat Mao’s rule. The Chairman is shown lounging in bed with his concubines while millions starved. Mao’s two favorite English books, we learn, were Engels’ *Socialism: Scientific and Utopian* and Marx’s *Communist Manifesto*. “We read them over and over,” said Dr. Li. But the chairman never really learned English, and he certainly never learned from his own experience why the centralization of power was leading to disaster.

Mao's attempts to overtake British steel production by encouraging peasants to throw their pots and pans into backyard furnaces led to a destruction of individual property already in short supply, then a severe shortage of farm labor, and finally famine. It is one of the most striking examples of tyrannical madness in a century replete with it. As Dr. Li shows, Mao's aides were afraid to tell him the truth. Like the Ottoman sultans of an earlier era, his own tyranny ensured that he never really knew what was going on in the country he supposedly ruled.

Mao's appeals to subordinates to speak their minds were calculated to unearth their disagreements with him. Subordinates not eager for rectification, exile, or worse soon learned to keep their mouths shut. The Cultural Revolution followed.

Like Stalin, Mao was insular and xenophobic. Outside China, he traveled only to Moscow. It is dismaying to think of this semi-educated assistant librarian exercising despotic power over a fifth of mankind for a quarter of a century.

Mao knew little of the West beyond the mumbo-jumbo of Marx. Notice that modern despots took their prescriptions from Western centers of learning, even when they did not study there (as Lenin, Ho Chi Minh and Chou En-lai did). Across the globe for most of this century, debased Western intellectual theory was far more influential than the patiently accumulated trial-and-error wisdom that underlies our own development and prosperity.

Most Western writers and intellectuals failed to understand what lay ahead. In the chronicles of mid-century—whether Freda Uteley's *China Story* or John T. Flynn's *While You Slept*, or the more admiring contributions of Edgar Snow and John Fairbanks—there is one thing that we do not find: any hint that China is approaching a disaster, one that will disable it for the remainder of the century. Some observers thought that Chinese Communism was morally repugnant, others that it was agrarian reform worthy of being called “democratic,” but hardly anyone saw that it would bring the nation's economy (and later those of North Korea and Vietnam) to a standstill.

James Reston of the *New York Times*, in Beijing in 1971, compared Mao's insane mass mobilization schemes to an old-fashioned “cooperative barn-raising,” one that ought to make Americans “nostalgic and even sentimental.” Another *Times* correspondent, Harrison Salisbury, detected that the New Man had appeared at last, and who would have thought that “Maoist Man” would precede his New Soviet counterpart? In any event, America was clearly lagging. “When would the New American Man and the New American Woman walk the earth, proud and confident?” Salisbury wondered.

An honorable exception was Henry Luce, the founder of *Time*, who had been born in China of missionary parents. He was among the few journalists of his day to grasp that Communism flunked the key test: Does it deliver? He also foresaw that by skirting this most extreme form of centralism, to which many other countries were succumbing, America would become pre-eminent later in the century. Stanley Karnow commented on the “schizophrenia” of Luce, who “was torn between his love for the Chinese and his implacable hatred of Communism.” But the two sentiments were perfectly congruent, as long as one understood, as Luce did, that Communism was imposed on the Chinese by force and “can't be successful.”



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JAMES RESTON OF THE *NEW YORK TIMES*

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For most of this century, the centralization of power was so admired by Western intellectuals and journalists that they were willing, even eager, to suspend their natural skepticism when faced with any hint of plans gone awry. They admired Lenin and Mao, and to this day admire Castro, because centralism made possible what intellectuals so often dream of but rarely achieve: the seizure and uninhibited exercise of power. From the point of view of Western intellectuals, the great merit of communism was that power-seeking was sweetened with universalist rhetoric: “experts” ran things, but “for the good of the masses.”

Less extreme centralizations undertaken by fascists or National Socialists, and defended with racist or nationalist rhetoric, were less popular with most intellectuals. But as the years pass, the similarities between communism and fascism will become more striking than their differences. When another century has elapsed we may look at these two modes of centralism the way we do the opposing sides in the Wars of the Roses: What was it they differed over, exactly, since they both believed in monarchy?

With the breakup of empires after World War II, something new called the “Third World” began to emerge. Decolonization came at just the time when centralism in general and socialism in particular were fashionable in Western capitals. The glowing reports of economic growth then emerging from the Soviet Union kindled an enthusiasm for consolidated power in the hearts of many rulers of far-flung territories. It also suited their political ambitions.

Julius Nyerere's socialist *ujamaa* policy, which was urged upon Tanzania by the World Bank, held that “all the basic goods are held in common.” Like other African rulers, Nyerere was only too happy to adopt a philosophy that brought economic aid in its wake while simultaneously curbing political opposition. Gunnar Myrdal, who won the Nobel Prize in economics in 1974, said in 1956 with little exaggeration that “grand scale na-

tional planning" was "unanimously endorsed by governments and experts in the advanced countries." India's prime minister, Jawaharlal Nehru, said at about the same time that economic development had quite simply been reduced to mathematics, and "it is extraordinary how both Soviet and American experts agree on this."

These same academic experts also agreed that the Soviet economy was growing at double the rate of the U.S. economy, and would overtake it within a decade or two. New editions of Paul Samuelson's famous textbook *Economics* repeated this claim until the mid-1980s. In the year the Berlin Wall fell, the new edition of the Commerce Department's *Statistical Abstract of the United States* was in print with the claim that East Germany's per capita income was higher than West Germany's.

It is remarkable that so many politicians, professors, and poets admired centralization, for there was no real evidence that planning had worked anywhere in the world. It had played "no part in the development of any one of the now highly developed countries," noted economist P. T. Bauer in the 1980s. But for many decades Bauer and a small number of other conservative economists stood almost alone against the post-war academic consensus in favor of centralization.

The great problem with socialism, Marxism, fascism, and all the other centralizing *-isms* is that they appealed to the most dangerous element of human nature, the desire for more power and control. They encouraged those in power to do even more of what they were already strongly inclined to do. It was an error comparable to doctors' telling patients that it is healthy to eat as much as possible, with the whole medical profession believing this. In earlier centuries, the hazards of power were understood by political theorists, and in the greatest practical application of this wisdom—the U.S. Constitution—institutions were created with the deliberate intent of dividing rather than focusing power.

How could this wisdom have been lost in the twentieth century? John Maynard Keynes gave us an answer that is worth pondering. After his fellow economist Friedrich Hayek warned Keynes that the desire to override small-scale, private decision making was the "road to serfdom," Keynes acknowledged that acts which "can be done safely in a community which thinks and feels rightly...would be the way to hell if they were executed by those who think and feel wrongly."

Having lived through the First World War, Keynes couldn't quite swallow the notion, common among his liberal teachers, that problems of centralization would not arise because human nature itself was changing for the better. For a hundred years, Western intellectuals had dreamed of this change, partly because they understood that an intractable human nature was the great obstacle to the abolition of private property—a long-standing utopian goal. With the wish no doubt inspiring their conviction, they concluded that human nature was malleable—like putty, as George Bernard Shaw put it. And the need for private property, wrote Keynes' Cambridge economics teacher Alfred Marshall, "reaches no deeper than the qualities of human nature." By the beginning of World War I, *New Republic* editor



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Herbert Croly felt confident enough to assert that centralizing ownership would itself "tend to socialize human nature."

That theory was put to the test from Moscow to the Mekong Delta, but a New Soviet Man did not emerge from the labor camps. Indeed, a decade after the fall of the Berlin Wall, it is still not certain that Russia will recover from its 70-year experiment in reordering human society. If the hunger for self-direction and private property goes "no deeper" than human nature, we can agree with Milton Friedman's remark that "I would say that goes pretty deep."

The centralizing urge remains strong nonetheless. In Europe, elites dream of unification and are determined to implement it. The European Union began as a free-trade zone but has turned into something more ambitious. The new euro currency, if it is to be viable, will subvert the independence of nations, and is intended to do so. In the U.S., the Supreme Court has acted as an unacknowledged instrument of centralism. It overturns state laws at will, but treats Congress far more circumspectly.

We may end on a more optimistic note. As I've noted, thinkers early in this century believed that the new technology and machinery of the Industrial Age would transform political thought and action. In the same way, the new technology of the digital world gives us reason to hope that the older, now almost lost political wisdom of decentralism might be recaptured in the next century. For if the wrought iron, heaving pistons, and blast furnaces of the Industrial Revolution took people out of their homes and gathered them into factories, the Computer Revolution is taking them out of factories and recreating cottage industries. The new revolution will even put the workers right back into their homes—if we can only get permission from the Department of Labor.

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the DEATH of Soviet Control

By Leon Aron

When Mikhail Gorbachev assumed power in 1985 he announced the Soviet Union had “achieved big successes in all areas of the societal life,” and had “a powerful, comprehensively developed economy.” All that was needed was to modernize the country’s aging industrial sector and “the world’s highest level of labor productivity” would be within reach. Some of this was bluster, but some he actually believed—out of sheer ignorance. Even within its highest councils, the Soviet government was pathologically secretive. A few years later Gorbachev would admit that even when he was helping the ailing Yuri Andropov run the country, the latter would not let him see the “real” budget figures.

As he got deeper into the Soviet Union’s central command, however, Gorbachev began to understand the truth: His nation’s planned economy was rotting away. One response was the economic “acceleration” policy inherited from Andropov. Implemented at first with much enthusiasm, “acceleration” stemmed from the belief that the Soviet economic system was fundamentally sound and required only a vigorous fine-tuning to recover its somewhat tarnished potential.

The new regime treated the now-obvious economic crisis as a problem of management: an unsatisfactory state of labor discipline and “weakness in the style and method of the Party.” Both of these defects were supposedly correctable by determined efforts by the central authorities. Thus was a crusade launched for “strengthening of contract discipline” and a “fight against waste and losses,” both to be enforced by a new agency known as *gospriemka*.

New inspectors were deployed at enterprises, but not employed by them,

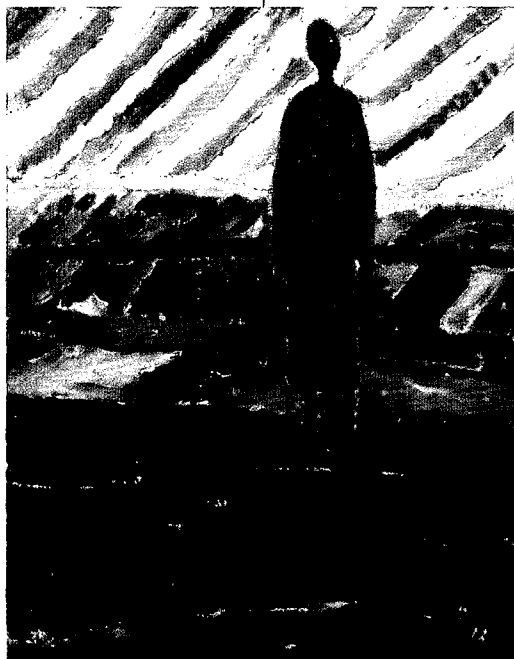
and charged with examining all output so as to reject items that did not meet prescribed state standards. Bonuses and even the regular pay of workers and managers were to be cut if low quality was found. The brutal simplicity of *gospriemka* epitomized the legacy of Andropov’s police renaissance: Spur economic reform through a stern overseer cracking the whip, junking millions of rubles’ worth of output in the process.

Gospriemka’s other pillar was a law-and-order campaign, which Gorbachev described as his “resolute struggle against phenomena alien to our socialist way of life,” for the purpose of “strengthening order and discipline.” The centerpiece was the “anti-alcohol campaign” adopted shortly after Gorbachev’s arrival.

The nation’s alcohol problem was certainly urgent. The Soviet Union consumed more strong alcoholic beverages per capita than any other country. Alcohol-related premature deaths accounted for about one-fifth of all deaths. Fifty-one thousand people died of “acute alcohol poisoning” in the late 1970s, and alcohol abuse was the major factor causing male life expectancy to tumble from 67 to 62 years between 1964 and the end of the 1970s.

Yet when it came to remedies, the tin ear and elephant touch of Russia’s Communist government meant “the people” received little or no relief. First, a reduction in consumption was sought in higher prices. Yet even overnight 100 percent increases, repeated over and over again, did little to reduce the national addiction.

Soon, economic levers were supplemented by the more familiar measures of Soviet social control: cuts in production and restrictions on consumption.



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