

The Knowledge Deficit

James Fallows' new book urges Americans to understand the fundamental—and crucial—differences between the Asian economies and our own

BY MICHAEL CRICHTON

Looking at the Sun
James Fallows, Pantheon Books, \$25

James Fallows' remarkable new book is not so much about Asian economies as about Western conceptions of those economies; his subject is nothing less than what happens when economic theory collides with real world experience. I should say at once that Fallows is my friend, and has advised me on a previous book of my own. Thus readers who seek a critique of Fallows' views should look elsewhere, since I agree with what he has to say. In *Looking at the Sun*, he has undertaken a daunting subject, but one that logically follows from his own experience in recent years.

Returning to America in 1989 after serving as *The Atlantic Monthly's* Asian correspondent for four years, Fallows, who has since spent another year and a half on the road in Asia, became one of the most visible of the so-called "revisionist" thinkers on Japan. The revisionists were a small and diverse group that included Chalmers Johnson, professor of economics at the University of California; Clyde Prestowitz, a former U.S. Trade Representative; Karel van Wolferen, a Dutch journalist living in Japan; and Pat Choate, a Washington economist. In the late 1980s and early 1990s, the revisionists were reviled as wrong-headed, destructive, uninformed Japan-bashers. Their opponents often hinted that they were racist as well.

But as is so often the case, the truth of this situation was the reverse of what generally appeared in the press. In fact, the revisionists were friendly and knowledgeable critics; most had lived and worked in Japan; they maintained close ties to Japanese friends and colleagues; and many of them spoke Japanese fluently. Furthermore, the revisionists did not always agree on what the U.S. should do about Japan; indeed, they were often uncomfortable being lumped together.

Nevertheless, the revisionists expressed certain common views: that Japanese capitalism differed fundamentally from Western capital-

Michael Crichton is the author of the novels Jurassic Park (1990), Rising Sun (1992), and Disclosure (1994).

ism; that Japanese companies pursued strategies different from their Western counterparts; that the American government has failed to comprehend the differences between the two systems; and that the economic consequences of this misconception for America were potentially dire. These rather impersonal, systems-oriented views provoked a fury of vitriolic, *ad hominem* attacks within the United States.

Despite intense critical reaction, many revisionist ideas have lately won some measure of acceptance. In academic circles, the term "revisionism" has been replaced by "comparative capitalism," since there is now wide agreement that the Western and Asian economies do in fact differ. The history of the U.S. government's dealings with Japan during the Cold War has brought to light several unsavory episodes, not easily defended by anyone. The Clinton administration has been more insistent about addressing the trade deficit with Japan, in the process legitimizing many revisionist views.

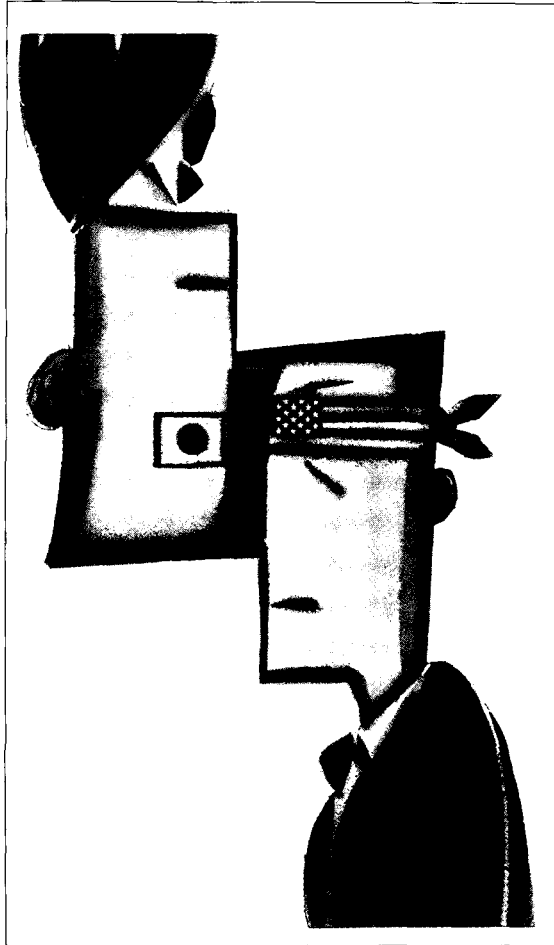
Even the term "Japan-bashing" went briefly out of favor after the *Columbia Journalism Review* reported that Robert C. Angel, an American working for the Japanese-funded Japan Economic Institute, invented the term in 1977 as a way to stifle debate, including legitimate debate, on Japan. The phrase was only too successful. Angel said, "I view that modest

public relations success with some shame and disappointment," and added, "Those people who use [the term] have the distinction of being my intellectual dupes."

But the list of intellectual dupes is long, and continues shamelessly to grow; recently Senator Bradley criticized the Clinton trade policy as "Japan-bashing." The casual indifference with which American politicians and the American press employ disinformation terminology created by a foreign competitor is a wonder to behold. One might have thought that once its history were known, "Japan-bashing," like "nigger," would become an unacceptable term in intelligent discourse. Yet against all logic, "Japan-bashing" is making a comeback.

Which brings us to the central concern of Fallows' new book: the peculiar intellectual inflexibility of the

West in dealing with Asia. *Looking at the Sun* takes the structure of a personal tour of the major Asian nations; along the way, Fallows reviews the history of Western and Asian economic ideas over the last two hundred years. The book is disarming: informal, easy-going, and extremely well-written. But the casual surface conceals an underlying rigor, and a profound concern: How, Fallows asks, do ideas about economies take hold, and what facts are necessary to dislodge them? Why has it been so difficult for Amer-



Peter Kuper

icans to look clearly at Japan and the other countries of Asia?

One answer is a simple imperviousness to contrary fact by influential observers. Fallows provides many examples of this intransigence. Since the current trade dispute seems to revolve around the problems of Motorola in Japan, it is perhaps worth reviewing one of the most spectacular of Fallows' cases: Labor Secretary Robert Reich's views on Motorola in the context of the global economy.

In 1989, Reich, then a lecturer at Harvard, published an article in *The New Republic* in which he argued that U.S. trade pressure on Japan to open its markets to Motorola was misguided, since Motorola actually made its cellular phones in Kuala Lumpur. Motorola immediately responded that this was untrue; their phones, they said, were manufactured in Illinois by American workers.

Six months later, in an influential article in the *Harvard Business Review*, Reich repeated his assertion that Motorola made its cellular phones in Kuala Lumpur. Once again, Motorola denied the claim, writing both to the *Harvard Business Review* and to Reich personally.

A year later, in *The American Prospect*, Reich again stated that Motorola's cellular phones and pagers were "mainly" manufactured in Kuala Lumpur. Again, Motorola vigorously denied that this was so, although by now it must have been clear to them that an appeal to the facts would do no good. And it didn't: In

his next book, *The Work of Nations*, Reich again repeated the erroneous Motorola example as evidence of why current U.S. trade policies toward Japan were misguided.

Fallows recounts Reich's handling of Motorola in detail and goes on to document similar errors in Reich's statements about semi-conductors and high definition television. Although Fallows is too polite to say so, the conclusion is inescapable: A major cabinet figure in the Clinton administration, and a leading expert on the global economy, simply does not know what he is talking about. Reich is an intelligent man, but he has been praised for his theory of the global economy which states that the nationality of corporations no longer matters. Understandably, he may be reluctant to accept data to the contrary—data which suggest that national origin still matters very much. (Einstein

once said that we should be careful about our theories, because a theory determines not only what we observe, but what we *can* observe.)

Fallows makes the astute point that if examples from business to support Reich's view were plentiful, the secretary would long ago have abandoned the Motorola case as more trouble than it was worth. Why make one's argument with disputed cases, if indisputable cases can be used instead? Fallows implies that Reich has clung stubbornly to Motorola because better examples cannot be found—because Reich's theory itself is deeply flawed, and ultimately cannot be supported by data. The economies of modern nations do not work as Reich would have us think they do. On the

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contrary, most evidence shows that corporations are not truly global in their effects; they are likely to favor, and disproportionately benefit, their countries of origin.

If contemporary ideas about the global economy are often misconceived and fanciful, the economic behavior of the Asian nations goes a long way toward explaining why. Fallows argues persuasively that the powerful, emerging economies of Asian nations simply do not work according to established Western economic thinking, and in fact reveal the inadequacy of such thinking. This is the central concern of Fallows' book, expressed in its opening paragraph: "The [West] is awash in information about. . . Asia. But it lacks. . . the right theories to give that information coherence and shape." It is the goal of Fallows' personal tour of nations and economic history to come up with the right theories.

Fallows' answer begins with his discovery, in a bookstore near the campus of Hitotsubashi University, of a rare English translation of the work of a nineteenth-century German economist, Friedrich List. Well known in Asian universities, and carefully studied by Asian economists, List has been so thoroughly forgotten by Anglo-American economists that Fallows has been unable to obtain his work in translation anywhere in the West.

Fallows' extended discussion of List, and what has been overlooked by the Anglo-American economic tradition, leads the reader to a markedly different concept of why economies exist, and how they behave. In doing so, Fallows contradicts nearly all the conventional precepts of Western economic dogma. He directs our attention back to the centrality of raw economic power; he re-emphasizes the importance of nations as economic units; he makes the case for guided economic development; he explains the strengths of an economy that favors the producer instead of the consumer; he teases out the inevitable, essential interrelations of government and business.

As he proceeds, it becomes clear why Fallows has chosen to write this book in an informal, unthreatening tone. Handling potent material, his goal is to persuade, and he knows it will not be easy. In a secular world

where economic dogma has replaced religious dogma, Fallows is openly heretical. No doubt he will face a vigorous and *ad hominem* counterattack. (*Ad hominem* attack is the secular, information-age equivalent of burning at the stake.)

But whatever form the criticism takes, one suspects that events are now firmly on Fallows' side. Reviewers rarely consider what authors know only too well—that their books will still be around in five or ten years. A book is a bet, and the stake is the author's reputation. Fallows' 1989 work, *More Like Us*, holds up well, and in many ways appears more relevant now than it did then. I anticipate a similar fate for *Looking at the Sun*.

As the twentieth century draws to a close, it is increasingly clear that the West has failed to understand what the Asian economies are doing, and why they have succeeded so spectacularly for so long. And it is increasingly agreed—if only in private—that traditional Western economic thinking cannot adequately explain the Asian success (or even, for that matter, earlier American periods of economic success). Thus a new theory must sooner or later arise, and become the new dogma.

In *Looking at the Sun*, James Fallows has given a clear, elegantly stated contribution to that new and emerging debate. It is, in my view, an exceptional effort, and a great gift. □

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Political Booknotes

Divided We Fall: Gambling With History in the Nineties

Haynes Johnson

Norton, \$25

By Timothy Noah

If any proof were needed that the culture of TV gab is polluting print journalism, this book is it. The author, Haynes Johnson, is a long-time panelist on "Washington Week in Review," and reading his new tome is not unlike clicking the remote from channel to channel. "More than anything else it is fear over the economic future that most powerfully affects Americans." (Click!) "Public schools, once the glory of American democracy, the way to a better life for generations of immigrants and the binding glue of economic and social classes, have become society's dumping ground." (Click!) "Despite the end of legal segregation, de facto segregation still exists." (Click!) "Violence in America is increasing; civility and attempts to reach consensus are declining." (Click!) "Awareness of a new life-threatening menace like AIDS, striking suddenly and spreading through the culture, intensifies apprehension and stress felt by numerous Americans." (Click! Click!)

I don't mean to belittle the pile of urgent national problems through which Johnson rummages; it is real. But it is also by now familiar and

deserves from journalists more than the march of platitudes to which it is routinely subjected on TV public affairs shows and, increasingly, in pompous "opinion leader" books like this.

Johnson may bridle at being characterized as a pundit; after all, his longtime print specialty has been writing about social problems through the voices of ordinary, outside-the-Beltway Americans. But the people in this book come across not as individuals whose particular experiences shed new or surprising light on a subject but as two-dimensional stand-ins for various predictable points of view. They disgorge their least interesting opinions (i.e., the ones most likely to fit whatever bland point Johnson is trying to make), and then retreat to the anonymity whence they came. Consider:

► Larry Pugh, who manages a hospital in Waterloo, Iowa: "I see a serious deterioration, almost an eradication, of the middle class that I grew up in." Next!

► Luis Guillen, a Latino senior at the University of Wisconsin: "I have a lot of friends of Mexican descent who refuse to speak English." Next!

► Amy Dickenson, a research assistant (well, all right, *Johnson's* research assistant, though he doesn't say so until the acknowledgements): "I know that the world I knew as a

child, living on a small dairy farm, has disappeared as surely as if it were blown off the planet." Thanks for dropping by!

This once-over-lightly approach trivializes the problems Johnson writes about, especially since he clearly has no interest in considering any bold approaches to solving them. Though Johnson's attention span seems shorter now, he's been at this for years. In Timothy Crouse's book on the 1972 campaign, *The Boys on the Bus*, one national political reporter said this of Johnson's lengthy *Washington Post* mood-of-the-country pieces: "[Johnson] tells me what's happening, but he can't explain it." Today, the effect on the reader is the same. It produces an overpowering and destructive urge to pooh-pooh every contemporary problem cited by Johnson, much as Ben Wattenberg did a few years ago in *The Good News Is the Bad News Is Wrong*, a perverse and unconvincing book that dismissed most of the social ailments commonly diagnosed in the mass media.

I defy any reader to remember any striking details about Johnson's collection of ordinary Americans, all of whom are presented as uniformly saintly. Great writers who work in this form—like George Orwell in *The Road to Wigan Pier*, his classic account of the deplorable working conditions of miners in the prewar north of England—show