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The Crash of Western Civilization:

The Limits of the Market and Democracy

by Jacques Attali

With the end of the Cold War and the collapse of the Soviet empire, the market economy and democracy appear to have triumphed. Universally praised, these two central values of Western society have become the prerequisite for any nation seeking acceptance by the international community or assistance from international financial institutions. Their widespread adoption has been said to herald the end of history or, at least, the final victory of Western civilization. Wherever Western values are not already in place, people seem to be willing to die to achieve them. And the main mission of American diplomacy seems to be their export, at least as long as doing so serves American interests.

Western civilization's most ardent modern champions could perhaps be forgiven for displaying what their earliest forerunners called "hubris." Developed after centuries of evolution and preserved in the 20th century through one virtual and two genuine world wars, Western values

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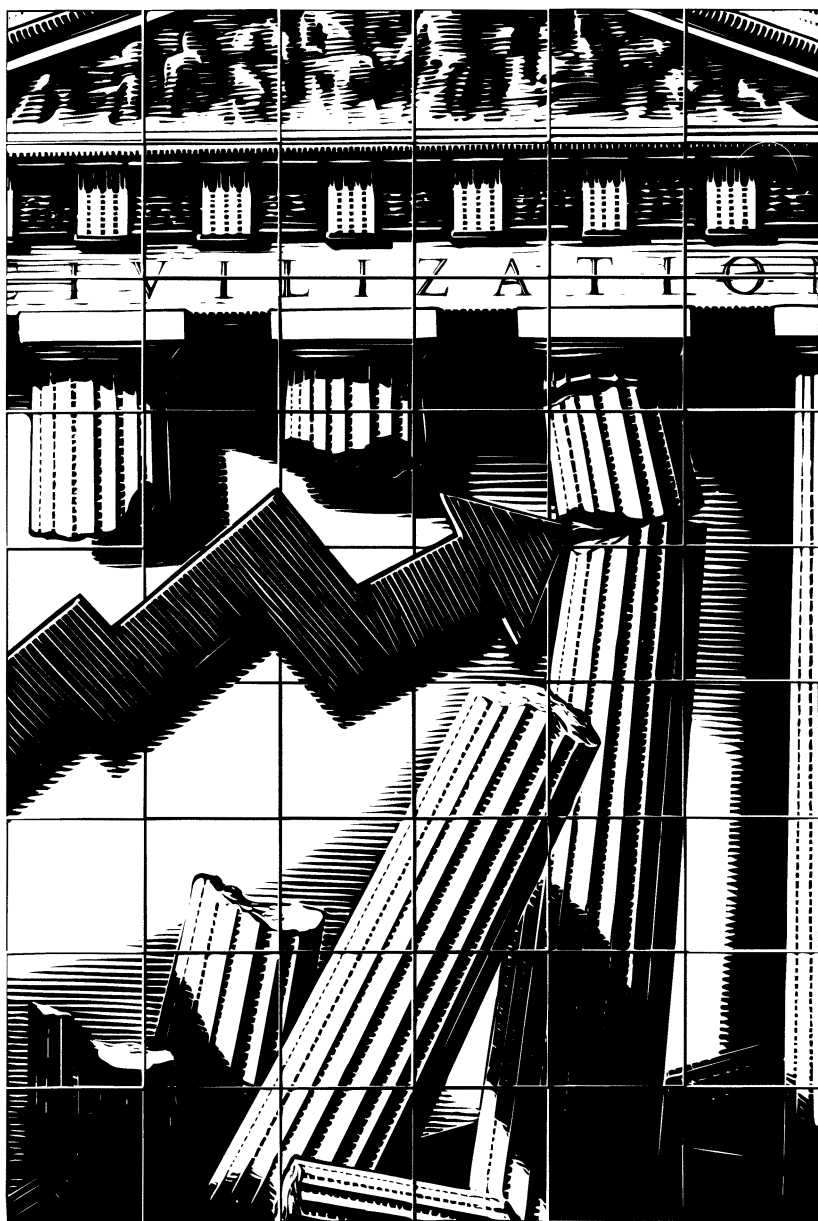


Illustration by John MacDonald

are today considered to be the building blocks of economic prosperity and individual freedom and were the driving force behind some of humankind's greatest victories.

Moreover, history would seem to suggest that the market economy and democracy together form the equivalent of a virtuous circle. Not only is it seemingly impossible to have one without the other, but in the long run the two appear to be mutually reinforcing. The market economy needs private property, entrepreneurship, and innovation, which cannot flourish without freedom of thought, speech, and movement. Democracy means that people can choose where to live, what to buy and sell, and how to work, save, and accumulate wealth, none of which is compatible with the collective ownership of industry. In sum, the market economy and democracy appear to be deeply intertwined, with both tied to the fundamental concept of private property.

Yet even the most enthusiastic proponents of both the market economy and democracy would admit that "market democracies"—a shorthand term adopted in recent years by exuberant American policymakers—are not easy to create. The development of a robust market economy in a formerly communist country such as Russia requires more than privatizing industry and allowing the market to determine prices. And the establishment of real democracy in a war-torn nation such as Cambodia calls for more than its much-celebrated free elections. A market economy and democracy can endure only in nations that maintain certain indispensable features: the rule of law, a legal system, a free media, and a social consensus on efficient tax collection.

Despite the prevalent belief that the market economy and democracy combine to form a perpetual-motion machine that propels human progress, these two values on their own are in fact incapable of sustaining any civilization. Both are riddled with weaknesses and are increasingly likely to break down. Unless the West, and particularly its self-appointed leader, the United States, begins to recognize the shortcomings of the market economy and democracy, Western civilization will gradually disintegrate and eventually self-destruct.

WHERE THE MARKET AND DEMOCRACY FAIL

While the cracks in the façade of Western civilization are only just beginning to show, an x-ray of its foundation might reveal deep weaknesses that could lead to its total collapse. If we are to prevent such a

catastrophe, we must begin by acknowledging that the marriage of democracy and the market economy suffers from three fundamental shortcomings: First, the guiding principles of the market economy and democracy cannot be applied to much of Western society; second, these two sets of principles often contradict one another and are more likely to go head-to-head than hand in hand; and, third, they carry within themselves the seeds of their own destruction.

Inapplicable principles

Consider two core institutions of the West: the private corporation and the civil service. For all of our talk of free markets and equality among individuals, our companies and bureaucracies are organized on the basis of fixed plans and strict hierarchies. Can we imagine a real market relationship between divisions of the same company or between a boss and her assistant? Can we imagine an internal referendum on each decision made by a minister or cabinet secretary? What does it say about Western values that they cannot be applied to such institutions, which are at the heart of the Western system?

Likewise, few Western nations—including the United States—would appreciate an international community where true democracy prevailed. (Imagine, for example, a United Nations where the most important decisions were made not by the Security Council's oligarchy of five nuclear powers but by the entire General Assembly on the principle of "one citizen, one vote" or "one state, one vote.") If international financial institutions had followed such a democratic system during the so-called Global Negotiations of the 1980s, there would likely have been a drastic shift in the global distribution of wealth that would have jeopardized the interests of the West in general, and of the United States in particular.

Similarly, applying the principles of the market economy both within and among nations is problematic and undesirable. I know of no Western nation that seeks a free market in justice, law enforcement, national defense, education, or even telecommunications—and with good reason. Few if any Westerners would want to live in a country where court rulings were for sale, citizenship and passports could be purchased at airline ticket counters, and air waves were auctioned off to the highest bidder without regard to content. And among nations, a free market for nuclear weapons, illegal narcotics, high technology, potable water, and pollution would promote the rapid growth of supranational

political bodies and powerful nonstate entities capable of challenging national governments.

Inherent contradictions

Contrary to popular belief, the market economy and democracy—the twin pillars of Western civilization—are more likely to undermine than support one another. What follows is a list of just some of the ways in which they clash:

- ▶ In a democratic society, the promotion of the individual is the ultimate goal, while in a market economy the individual is treated as a commodity—one that can be excluded or cast aside for want of the right education, skills, physical characteristics, or upbringing.
- ▶ The market economy accepts and fosters strong inequalities between economic agents, whereas democracy is based on the equal rights of all citizens. By depriving some people of the ability to meet their basic economic needs, the market economy also leaves them less able to exercise their full political rights. Witness the swelling ranks of unemployed workers in much of the West who can vote but are otherwise increasingly disenfranchised and alienated.
- ▶ The market economy resists the localization of power, discourages coalitions between participants, and encourages selfishness, while democracy depends upon a clear identification of political responsibility, the coalition of citizens in political parties, and a general appreciation of our common fate. Democracies need political parties that are capable of molding platforms based on compromises between individual points of view, while market economies rely on competing individual centers.
- ▶ The market economy creates a world of nomads, whereas democracy can apply only to sedentary people. Even as the free circulation of goods, capital, ideas, and people calls for breaking down national borders, democracy needs to maintain them in order to separate aliens from citizens who have the right to vote. The tensions created by this contradiction are evident in the popular anger and resentment in the United States and Europe toward a growing influx of foreign workers.
- ▶ The market economy assumes that the aggregation of selfish behavior by all economic agents is best for the group, whereas democracy makes the assumption that the best outcome for any given group will result from the acceptance by a minority of the decision of a majority.

ty. Already, rich minorities on both sides of the Atlantic are increasingly reluctant to support tax systems that would benefit the middle-class majority. Worse than that, younger generations—which make up a minority of the population—may be reluctant to finance the pensions of the older generations that will dominate the industrialized world in the coming decades.

Inevitable destruction

Because each is based on the principle of the reversibility of choices—whether of political leaders, consumer goods, technology, or cultural trends—the market economy and democracy combined cannot provide a sound basis for a lasting civilization. For instance, no market democracy has a lasting health policy or a permanent concept of urban planning, and among market democracies there is no set exchange rate. The market economy and democracy tend to favor the ephemeral, the precarious. They encourage their adherents to follow the path of short-term selfishness, not long-term shared interest.

Both the market economy and democracy encourage a herd mentality that can be deeply destabilizing. Known as the self-fulfilling prophecy syndrome, this tendency can amplify problems, triggering runs on markets and financial institutions and even political crises. Information technology is exacerbating this self-destabilizing and self-destructive tendency—in both economics and politics—by providing split-second market results and polling data.

The destructive consequences of this volatility are enormous: Markets leave less and less room for long-term contracts or long-term investments. Older generations neglect the interests of the young, demanding benefits and pensions that their children will not be able to sustain, much less enjoy themselves upon retirement. In politics, unpopular decisions are deferred endlessly for immediate political considerations. Led by managers and politicians who are increasingly skilled at gauging public opinion and evading responsibility, society grows incapable of dealing with vital long-term challenges, whether by strengthening political and economic institutions or confronting the costs of damage to the environment.

THE RISE OF THE MARKET DICTATORSHIP

While each of these three shortcomings of the main values of Western civilization has disturbing implications, none holds greater peril than

the second—the inherent conflict between the market economy and democracy. For when two concepts are contradictory, one of them has to come out on top. It seems obvious that, all over the world, the market economy today is more dynamic than democracy. Stronger forces are backing it. The frantic search for money to fund elections, the spread of corruption, and the scale of the criminal economy are all signs of the ascendancy of the market economy over democratic ethics.

The implications of a triumph of the market economy over democracy would be profound. Powerful minorities seeking to take full advantage of the market economy will want total control of their resources and will come to view the collective democratic decisions of poor majorities as intolerable burdens. As legislatures and courts lose power to central banks and corporations, market élites will become stronger than democratic élites, further shrinking the reach and appeal of the

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public sphere. Indeed, we will see the emergence of a new class of “high-tech nomads” whose primary function will be to produce or channel information. The media will fall into the hands of huge conglomerates that can sway the behavior of citizens worldwide, deepening their skepticism about political matters and democratic values. New technologies will continue to erode democratic institutions by spurring decentralization. As the printing press led to the collapse of the Holy Roman Empire

and to the birth of Protestantism, the Internet will lead to the decline of traditional intermediaries (such as bankers and retailers) and global forums (such as large television networks and wholesale markets) all of which will be replaced by specific players with specific constituencies and direct access to citizens at the local level.

Eventually, democracy will fade away, having been replaced by market mechanisms and corruption. We will have a kind of market dictatorship, a “*lumpen* market,” without strong democratic institutions to serve as countervailing powers. Political outcomes will be bought and

sold, and the market economy will rule every element of public life, from police protection, justice, education, and health to the very air that we breathe, paving the way for the final victory of “corporate” economic rights over individual human rights.

Under such circumstances, Western civilization itself is bound to collapse. The decline of national allegiances and the refusal of national élites to exercise their responsibilities, become political leaders, or pay taxes will contribute to a fatal weakening of the traditional nation-state, the emergence of strong authoritarian city-states amidst oceans of informal economies, and conflicts at North-South borders and between city-states for the control of scarce material resources. Meanwhile, aggressive nonstate entities (large companies or, in some cases, illegal entities such as the Mafia, drug cartels, and nuclear traffickers) will exploit the market economy and the absence of strong local authorities to threaten our safety and survival. Even our religious beliefs and social values will crumble, as organized religion becomes corrupted by commercial values and civic virtue gives way to widespread cynicism and despair.

AVERTING THE COMING CRASH

More than any other country, the United States stands to lose from the realization of such an apocalyptic scenario. Internally, the advent of a market dictatorship threatens to replace America’s melting pot with a dysfunctional patchwork of self-interested communities. Externally, such a scenario not only endangers a broad array of American interests but the ideological basis of its global leadership as well. In short, the crash of American civilization will precede the crash of Western civilization.

If we want to avert such a crash, we must seek honest answers to several fundamental questions: What is the real influence of citizens in major decisions? What is the reality of democracy among nations? Why are there always the same winners and losers? Can poverty be overcome by market mechanisms?

To find answers to these questions, Western civilization should first become more modest about its own values. We must recognize the need to find a compromise between the market economy and planning and between democratic and authoritarian decision-making mechanisms. We should be exploring ways to organize that compromise rather than indulging in triumphalist rhetoric about the globalization of values that,

in fact, have only limited application even to our own societies. Europeans should learn from American efficiency and Americans from European solidarity. Western civilization should learn to stand on its own two feet—on both sides of the Atlantic.

We also should declare openly that Western civilization has something to learn from others. An efficient society should be able to organize both the expression of differences and the creation of an enduring collective view. Civilizations that draw on other philosophical and ethical beliefs—whether Confucianism or Buddhism—seem to be succeeding where we are failing in efforts to maintain human dignity, foster solidarity, and give long-term meaning to our decisions by fostering a vision of what sort of world we hope to have in the 21st century. The fact that the West may disagree with some aspects of Islam as applied in some countries—the status of women, for example—does not mean that there is nothing to learn from Islamic societies.

Indeed, while many people in non-Western civilizations are trying to imitate the West, a wellspring of opposition to Western values has erupted in many places as well. In Asia, for example, our way of organizing urban life is increasingly rejected, as demonstrated by the Malaysian experience, where planners are considering reorganizing society to deemphasize the automobile. Asian societies suggest possible answers to the contradictory tenets of the market and democracy; by allowing a stronger role for the state in protecting citizens against some of the risks of competition, these societies balance the contradictory forces.

On our own behalf, the West should improve and strengthen democracy in order to achieve a balance with the power of the market. To accomplish that, we must foster a new government role in enforcing the rule of law, supporting the principles of education, ensuring social justice and the participation of workers in corporate decision making, and leading the fight against corruption and the drug economy.

Small nations must unite with their neighbors to achieve a critical mass in the face of market-driven globalization—and to be able to summon the achievements of past generations while not limiting the freedom of choice of future generations (in terms of culture, language, lifestyle, and ethics, for example). The European Union (EU) is an excellent example of such a construction—one that protects some specific societal differences, such as the rural way of life, the health system, the urban heritage, and the diversity of languages. The EU's Common

Agricultural Policy, so much criticized in the United States, has played a very positive role in this respect.

Western societies must decide when and by what means long-term foreign residents can be given the right to vote. As the number of expatriots grows with the development of the global market economy, the right to vote will become essential in any effort to increase the feeling of partnership between people living on the same soil. Ultimately, the civilizations capable of organizing their diasporas will be the winners. We must begin to understand multidimensional citizenship and to recognize cohesion between groups belonging simultaneously to many different entities (e.g., cities and companies). We also must agree on how to build a flexible long-term framework for democracy that goes beyond national constitutions and their amendments. Some dimensions of human dignity (the right to childhood, the integrity of the genome, and the rights of other species) are not yet well protected by these constitutions.

Western civilization is no stranger to predictions of decline and fall. Some of these predictions have been based on historical theory, others on cultural, economic, or even racial assumptions. For the time being, they have fortunately been proven wrong. But no one should accept the assumption that any civilization, however triumphant, is here to stay. The survival of ours is in our hands.

Want to Know More?

Some basic texts are of interest. First and foremost, *Democracy in America*, by Alexis de Tocqueville (New York: A. Knopf, 1993), discusses in detail the dangers of a weak democracy in a market economy. In a February 1997 *Atlantic Monthly* article "The Capitalist Threat", George Soros, one of the world's premier capitalists, warns that the unfettered spread of market values poses the gravest threat to our democratic society. Joseph Arrow, in *Social Choice and Individual Values* (New York: Wiley, 1963), demonstrates the difficulties faced by a rational democracy in a competitive environment. This question is also discussed in *Capitalism, Socialism and Democracy* (London: Harper, 1942), in which Joseph Schumpeter explains that only innovation can compensate for the destructive nature of the market. Lester Thurow, in *The Future of Capitalism* (New York: W. Morrow, 1996), elaborates on the contradic-

tions between democracy and the aging of a modern market economy, and I have discussed, in *Millennium: Winners and losers in the coming world order* (New York: Times Books, 1991), the concept of a nomadic society. An alternative theory on the crash of Western civilization can be found in Robert Kaplan's travel book, *The Ends of the Earth* (New York: Random House, 1996), in which he expands upon his February 1994 *Atlantic Monthly* article, "The Coming Anarchy," arguing that our civilization's collapse will come as a result of the spread of crime and disease and the type of overpopulation that is common throughout the developing world.

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