

BOOK REVIEWS

Lester Thurow. *The Future of Capitalism: How Today's Economic Forces Shape Tomorrow's World*. Sydney: Allen and Unwin, 1996. 385 pp.

As we approach the end of the millennium, the thought that something awful is going to happen to the world as we know it, appears irresistible to some people. We have already seen the emergence of some religious sects in the United States and in Europe, that believe that the world is coming to an end. In some cases, this has prompted some sect members to commit mass suicide, in the belief that they will be picked by God travelling in an orbiting spaceship. Nor is the existence of such sects confined to the Western world. Recent reports indicate the existence of a similar sect based in Taiwan. One interesting characteristic of such group is that they often appear to attract highly-educated, professional people

Such feelings of impending doom are not confined to religious groups. In the world of academia, a number of books have recently appeared, especially in the areas of economics and finance, portending imminent doom. One notable example of this is the recent book by James Dale Davidson and William Rees-Mogg, entitled *The Great Reckoning* (Pan Books, 1994). Thurow's book is in the same genre, arguing that the future of capitalism is fraught with immense difficulties, and clouded in much uncertainty, as a result of a number of important economic as well as political changes that took place in the second half of this century.

Using a rather strained metaphor from plate tectonics, Thurow argues that the world capitalist

system can be thought of as being made up of five economic tectonic plates: the end of communism, the era of man-made brainpower industries, demographic changes, a global economy, and a multi-polar world with no dominant power. Like geological tectonic plates, these economic tectonic plates move inexorably against each other, causing pressures to build up to such an extent that periodic economic upheavals are inevitable. The economic magma that drives these changes is the result of the interaction of technology and ideology. With these massive changes in the economic landscape come new opportunities and a period of economic "punctuated equilibrium" comes into existence (pp. 8–19).

The end of communism in Eastern Europe not only means that capitalism has no major ideological competitors, but also that large natural resources (principally from the former Soviet Union), and highly qualified, and relatively cheap labour (from Eastern European countries) will increase competition in both product and labour markets. In addition, China's embrace of market economics has opened up a vast pool of unskilled, cheap labour, enabling it to become a major world producer of labour-intensive manufactured goods.

The spread of man-made, brain-power industries to many less developed countries has resulted in the decline (and in many cases, extinction) of traditional industries in developed countries. Possession of physical resources (such as coal, or iron ore), financial resources, or technologies is no longer important in determining the location of many industries. It is the quality and quantity of human resources that count.

Demographic changes have resulted in rapid

ageing of the populations of many developed countries, putting pressure on governments to provide welfare and services to the aged. In less developed countries, rapid population growth has led to massive out-migration to developed countries, putting pressure, not only on government services, but also on the social fabric of these countries.

Globalization has resulted in increased international competition in many product markets, putting downward pressure on wages in high-wage countries. In addition, the implementation of market-oriented economic policies in many countries has resulted in ever-widening income distribution, and an underclass of poor people, even in wealthy countries.

In a multi-polar world, without a dominant (economic) power (the United States does not feel any particular responsibility to lead the world out of its economic problems, and Japan has moved from being part of the solution to being part of the problem), there is no engine to pull the world economic train out of its downward spiral of decelerating growth, increasing unemployment and deepening economic crisis (pp. 139–84).

Apart from the economic consequences, Thurow also suggests that a number of social consequences are likely to result from these economic forces. The most important of these are the spread of religious fundamentalism (because those who are adversely affected by the massive economic changes, and/or cannot understand them, seek refuge in religion), and ethnic conflict (because those who are adversely affected often seek scapegoats, and because there is no dominant ideology or outside threat to hold diverse communities together) (pp. 233–41).

On the basis of these arguments, Thurow moves inexorably to the view that the future of capitalism, as we move into the next millennium, is bleak, to say the least. Can governments (especially democratic governments, since this is now the dominant form following the collapse of communism) do anything to avert the impending doom? Thurow argues that capitalism is fundamentally inimical to democracy. The internal logic of capitalism tends to generate increasing

inequalities in distribution (a fact that can be seen in many countries which implemented market-oriented economic policies in the 1980s). If not addressed adequately, the inequalities will lead to increasing social conflict and escalating crime rates, which will eventually threaten the social fabric of society (a situation which has been dubbed “wild capitalism”, referring to present-day Russia). What is worse, governments in many democratic countries are ideologically unwilling, or financially unable to support welfare schemes, or educational programmes that historically have been pivotal in ameliorating the social inequalities of capitalism. In the absence of these, capitalism needs a value system that can bind society together. But this is precisely what it lacks. A fundamental problem of capitalism is that it is myopic. Investments that are required to secure the future (whether in education, social infrastructure, or environmental protection) are seldom made adequately because many of these are public goods with long time horizons.

Given the vast changes that have taken place in the world economy, and the increasing uncertainties that these have generated, what is required to secure capitalism’s future? Thurow argues that it is not just a matter of implementing the right policies. What is more important is to have an appropriate set of values, an innovative mind-set, a willingness to take risks in the face of almost universal conservatism — in short, the opposite of what Thurow calls “the Middle Kingdom mentality” (p. 325).

There is little that one can disagree with in this book, but then again, there is little that is new. Many of the diagnoses and arguments in the book have been previously made by Thurow himself, or by others.

Those living in Asia will recognize a familiar ring in much of what Thurow says about the basic problems of capitalism, especially in the light of recent events in Southeast and East Asia. Understanding these in terms of the inexorable movement of economic tectonic plates is perhaps unnecessarily fanciful. Of more importance is what Thurow has to say about the importance of an appropriate value system: one that encourages

rather than hinders an inquiring, innovative mind that is not afraid to question authority. Encouraging and fostering such a value system, while at the same time ensuring political and social stability, is perhaps one of the most important challenges facing Asian countries as they move into the next millennium.

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Verner Worm. *Vikings and Mandarins: Sino-Scandinavian Business Cooperation in Cross-Cultural Settings*. Copenhagen: Copenhagen Business School Press, 1997. Approx. 208 pp.

This book takes a less well explored but very useful approach in the literature on cross-cultural management. While there are no dearth of cross-cultural studies in general, books analysing and delineating the cultures involved in an intercultural encounter and examining their impact on managing foreign business operations in the host country are as rare as they are helpful to business people and firms from the cultures involved. Certainly, more books of this type are badly needed. Although the cultures dealt with are by necessity particular, the ways and means of handling cross-cultural encounters and their consequences are of a less specific character and could suggest important implications for international management in general. The objective of the book is to investigate the effect of cultural differences on interpersonal relationships and the management of Scandinavian firms in China. This is a legitimate and useful aim and the research agenda is two-fold: to create understanding and to provide guidance.

The text builds on the author's Ph.D. thesis, which was written in Danish. The fact that the text has been translated into English by two persons other than the author makes it sometimes a little difficult to follow and understand. Although the

style of writing most of the time probably lives up to the intention of appealing to both business executives and academics, much of the first chapter is an unnecessary turn-off as it reads more like an academic research report than an introduction to a business book. Chapters 2 and 3 introduce management in China and Scandinavia against the necessary backdrop of the culture and politics in those areas of the world. Whether China and Scandinavia really represent sufficiently coherent and uniform cultural and political spheres to be covered in this manner is debatable, but can be accepted as a simplification to deal with the subject matter and achieve the purpose of the book.

The comparison of the two cultures in China and Scandinavia in Chapter 4 is somewhat mechanistic, relying on inferred or actually measured scores by such authors as Hofstede, Hall and Trompenaars. Hofstede's original study did not include China but several subsequent investigations by other researchers have rectified that shortcoming (*cf.* Lai and Lam 1986). Ignoring these studies, the book seems to discuss Hong Kong scores as a substitute for Chinese scores.

Chapters 5 to 8 deal with culture-specific interpersonal relationships whereas Chapters 9 and 10 discuss organizational and managerial activities. Being the core chapters of the book, the material here is well presented and easily accessible, not the least due to the frequent quotes from expatriates and Chinese in relation to key concepts discussed. All of these chapters end with a section of recommendations to expatriates and foreign firms, which are very useful in their concrete suggestions.

This book focuses on cultural differences and, admittedly, they are more important than similarities since the effectiveness of the international manager is contingent upon adjustment to another cultural context. However, by also pointing out cultural similarities, areas of natural compatibility could have been identified where less problems can be expected. Also, since more than double the number of Scandinavians than Chinese were interviewed and most problems and frustrations are pointed out by Scandinavian managers, the text tends to become somewhat lop-sided, mostly