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Like many great books, Eli Heckscher's *Mercantilism* is more often cited than read. I had known of it for a long time, but only came to read it in the late 1980s when I was preparing the synthesis volume of a multi-country comparative study of "the political economy of poverty, equity and growth" in twenty-five developing countries for the World Bank (Lal and Myint 1996). It was a revelation and suddenly allowed me to make sense of the cycle of economic repression and reform that I had observed in many developing countries over my thirty-year professional career working on them. Hence, perhaps the best way to show the contemporary relevance of Heckscher's great work on *Mercantilism* is by providing a personal account of why I came to see its relevance in explaining the ongoing worldwide Age of Reform.

Through the Looking Glass

In the 1960s and 1970s my work took me to many developing countries. The similarity of the means of economic repression through trade, foreign exchange and price controls, industrial licensing, and inefficient state monopolies soon became apparent. My natural instinct as an economist was to look upon these as the result of the bad economics perpetrated by what went under the banner of "development economics." I wrote a critique of these in the early 1980s from the viewpoint of what has been called the neoclassical resurgence in the economics of developing countries (Lal 1983, 2002), and blamed it all on the purveyors of the dirigiste dogma.

But this still left a worrying void in the explanation of why so many countries had chosen these patently dysfunctional policies. I ascribed this cognitive dissonance in a paper in 1985 to what I saw as the resonance of three ideas in the Third World: nationalism, socialism, and

planning. These ideas I argued were Janus-faced and allowed the modernizing elites in these countries to reconcile tradition with modernity. The professed aim of the postindependence leaders of most of these countries was nation-building, and they found that these ideas allowed them to reconcile various atavistic attitudes concerning trade and commerce and communalism versus individualism with the modernity promised by the Enlightenment.

Then, in the mid- to late 1980s while working at the World Bank, I walked through the looking glass and first encountered the Alice in Wonderland economies of Latin America. Here the ongoing debt crisis starkly exposed the dysfunctional nature of the dirigiste dogma. But, most surprisingly many of these repressed economies began to reform. Similarly, China, which I visited for the first time in 1984, also very surprisingly seemed to have turned its back on Maoist economics with Deng Tsao Ping's initiation of the policy of the Open Door. In my adopted home in Britain, Margaret Thatcher did what had seemed impossible: she took on and defeated the trade unions. Why was the world moving toward the classical liberal economic policies that so many neoclassical resurgents had been preaching for about two decades? It could not have been the power of the ideas. For India, from which many of the neoclassical resurgents came and on which many others worked, had known of these ideas for nearly two decades, but nevertheless seemed impervious to them and set in its ways. These reflections led to my formulating the "crisis" theory of economic liberalization—namely, that it is only when the state seems to be withering away under the twin and related burdens of a fiscal and balance of payments crisis that it seeks economic liberalization (Lal 1987). This theory has since been substantiated in numerous studies (including Lal-Myint 1996 and Little et al. 1994), and in practice by the economic crisis in India in 1991, which led to its program of economic liberalization, and most momentously the sequence of crisis and reform that led to the implosion of the Communist system in the Soviet Union and its satellites.

In the late 1980s, the large multicountry comparative study that Hla Myint and I were codirecting came to an end. We had enough incontrovertible evidence of the role of nation-building in leading to economic repression and the eventual crisis that engendered reform. Then, before drafting the synthesis volume, I at last read Heckscher's *Mercantilism*, as I had often promised myself I would. It was a revelation. What I had thought was an original theory explaining economic repression and reform was all in Heckscher!

Mercantilism

Heckscher had argued that the mercantilist system arose as the Renaissance princes sought to consolidate the weak states they had inherited or acquired from the ruins of the Roman Empire. These were states encompassing numerous feuding and disorderly groups which the new Renaissance princes sought to curb to create a nation. The purpose was to achieve "unification and power," making the "State's purposes decisive in a uniform economic sphere and to make all economic activity subservient to considerations corresponding to the requirements of the State." The mercantilist policies—with their industrial regulations, state-created monopolies, import and export restrictions, price controls—were partly motivated by the objective of granting royal favors in exchange for revenue to meet the chronic fiscal crisis of the state—a problem shared by many countries of the contemporary Third World. Another objective was to extend the span of government control over the economy to facilitate its integration.

These were also the stated aims of many of the postindependence rulers of the Third World. They too, very often inherited artificial states created by their colonial predecessors which were riven by pervasive cleavages of race, religion or tribe. Like the Renaissance princes of sixteenth- and seventeenth-century Europe, they also saw neomercantilism as a means of forging a nation out of the subnational groups within their inherited states. Most of the practices described in the first volume of Heckscher's masterpiece concerning the regulation of both internal trade and industry and external trade and commerce will be resonant with anyone familiar with the economic policies of the post-war Third World, as until very recently they were ubiquitous.

But, as Heckscher showed, these attempts to extend the span of government control, to create order, only bred disorder. As economic controls became onerous, economic agents attempted to escape them through various forms of avoidance and evasion. By the eighteenth century this dirigisme bred corruption, rent-seeking, tax evasion, and illegal activities in underground (or "black") economies. The most serious consequence for the state was that this "tax" avoidance and evasion eroded its fiscal base, and led to the prospect of an un-Marxian withering away of the state. It was this dire prospect which prompted economic liberalization to restore the fiscal base and thence government control over what had become ungovernable economies. In France this changeover could only come about through a Revolution. For it must be noted that the events leading to it occurred because the

king had to call the "Etats General" in order to deal with a severe fiscal crisis.

The nineteenth-century Age of Reform was motivated less by the writings of Adam Smith than the desire of governments to regain their fiscal bases, which had been destroyed by the unintended consequences of mercantilism. The results were spectacular. As Heckscher noted, the new found economic liberalism achieved the goal sought by mercantilism: "Great power for the state, the perpetual and fruitless goal of mercantilist endeavour, was translated into fact in the nineteenth century. In many respects this was the work of laissez-faire, even though the conscious efforts of the latter tended in an entirely different direction."

The result was attained primarily by limiting the functions of the State, which task laissez-faire carried through radically. The maladjustment between ends and means was one of the typical features of mercantilism, but it disappeared once the aims were considerably limited. In laissez-faire they consisted, indeed, only in certain elementary and unavoidable functions of foreign policy, defense, legislation, and the administration of justice, nicknamed by Carlyle "Anarchy plus the Constable." Disobedience and arbitrariness, unpunished infringements of the law, smuggling and embezzlement flourished particularly under a very extensive state administration and in periods of continually changing ordinances and interference with the course of economic life. It was because the *regime de l'ordre* bore this impress that disorder was one of its characteristic features" (Heckscher 1955:325).

From Control to Liberalization

An uncannily similar process accounts for the contemporary move from mercantilist controls to economic liberalization in the Third World. In Lal-Myint (1996) we document how many of the twenty-five countries that had set up dirigiste neomercantilist regimes switched policy in the 1970s and 1980s in the face of fiscal cum balance of payment crises.¹ A major consequence of dirigisme is that it creates politically determined current and future income streams for various favored groups in the economy (such as infant, declining or sick industries, industrial labor, regional interests, the deserving poor, old age pensioners, to name just a few). As these entitlements are implicit or explicit subsidies to particular groups, they have to be paid for by implicit or explicit taxation of other groups in the economy. In fact,

all government interventions including regulation are equivalent to a set of implicit or explicit taxes or subsidies. However justifiable on grounds of social welfare, the gradual expansion of the transfer state entailed by burgeoning neomercantilism leads to some surprising dynamic consequences, like those adumbrated by Heckscher for the seventeenth and eighteenth centuries.

The gradual expansion of politically determined entitlements creates specific property rights. The accompanying tax burden to finance them leads at some stage to generalized tax resistance, leading to avoidance and evasion, and to the gradual but inevitable growth of the parallel or underground economy. This was the case with both developed and developing countries in the 1960s and 1970s. Faced with inelastic or declining revenues but burgeoning expenditure commitments, incipient or actual fiscal deficits become chronic. These can only be financed by three means: domestic borrowing, external borrowing, or the levying of the inflation tax.

Many countries, particularly in Latin America, tried all three with dire consequences. Domestic borrowing to close the fiscal gap crowds out private investment, damaging future growth and thereby future tax revenues. The fiscal deficit maybe financed by foreign borrowing for a time. But this form of financing is inherently unstable. The debt-service ratio can become unviable if, as in the late 1970s, world interest rates rise and the ability of the economies to generate the requisite surpluses to service the higher interest costs of public guaranteed debt is limited. This is often due to the policy-induced distortions inhibiting exports—such as overvalued exchange rates and high and differentiated effective protective rates of protection which are an indirect tax on exports—along with the difficulty in generating fiscal surpluses to match the interest on the debt. Thereupon, foreign lending can abruptly cease, leading to the kind of debt crises that plagued Latin America in the 1980s. The third way of financing the deficit, through the use of the inflation tax is also unviable over the medium run, for it promotes a further growth of the parallel economy and a substitution of some indirect or direct form of foreign-currency-based assets for domestic money as a store of value. The tax base for levying the inflation tax thus shrinks rapidly as the economy veers into hyperinflation.

With taxes being evaded, domestic and foreign credit virtually at an end, and private agents having adjusted to inflation to avoid the inflation tax, the government finds its fiscal control of the economy vanishing. It may not even be able to garner enough resources to pay the

functionaries required to perform the classical state functions of providing law and order, defense, and essential infrastructure. This dynamic process, whereby the expansion of the transfer state leads to the unexpected and very un-Marxian withering away of the state, has rarely reached its full denouement, although in some countries—Peru, Ghana, Tanzania—it came close.

But well before things come to such a dire pass, attempts are usually made to gain government control. Two responses are possible—an illiberal and a liberal one. The former, which is rare, consists of a further tightening and more stringent enforcement of direct controls. Nyrere's Tanzania provides an example. If this tightening is effective, however, and the private utility of after-tax income received from legal productive activity declines to the level at which untaxed subsistence activities are preferable, producers may seek to escape the controls by ceasing to produce the taxed commodities altogether. The tightening and enforcement of controls could lead to an implosion of the economy. The government then finds that as producers return to untaxable subsistence activities, its very tax base has fled into the bush. This is what happened in both Ghana and Tanzania.

The more usual response is to regain a degree of fiscal control through some liberalization of controls on the economy. Typically, however, these liberalization attempts are half-hearted and include some tax reform, monetary contraction, and some measure of export promotion. Their aim is to raise the economy's growth rate as well as the yield from whatever taxes are being paid, and to improve the debt-service ratio, in the hope that this will lead to a resumption of voluntary lending. But unless the underlying fiscal problem (which is largely that of unsustainable public expenditure commitments) has been tackled, these liberalization attempts have usually been aborted.

It is only when the complete breakdown of the society and economy poses the danger of an even greater loss of future income streams than that resulting from the rescinding of the existing political entitlements created by past dirigisme—and are the source of the problem—that the bitter pill of a complete change in policy regime is swallowed. Many countries in Latin America, Africa, and Asia in the 1980s did finally swallow the pill, ushering in another Age of Reform. But as in the nineteenth century, it is once again threatened by a new dirigisme. It maybe worth seeing why, as it also provides a clue to a question on which *Mercantilism* is silent, namely why was the nineteenth-century

Age of Reform followed by first a creeping and then a galloping dirigisme in much of the twentieth century.

Individual and Anti-individual

The missing answer is provided in part by the British political philosopher Michael Oakeshott. He makes a crucial distinction between two major strands of Western thought on the state: the state viewed as a *civil* association, or alternatively as an *enterprise* association. The former view goes back to ancient Greece, the latter has its roots in the Judeo-Christian tradition. The view of the state as a civil association sees it as a custodian of laws that do not seek to impose any preferred pattern of ends (including abstractions such as "social welfare" or fundamental "rights"), but that merely facilitate individuals to pursue their own ends. The enterprise view by contrast sees the state as the manager of an enterprise seeking to use the law for its own substantive purposes, and in particular for the legislation of morality. The classical liberalism of Smith and Hume entails the former, whereas the major secular embodiment of society viewed as an enterprise association is socialism, with its moral aim of using the state's power to equalize people.

He distinguishes three versions of the collectivist morality that the state viewed as an enterprise association has sought to enforce. The first was a religious version epitomized by Calvinist Geneva and in our own day by Khomeini's Iran. The second is a productivist vision seeking to promote nation-building, which was the enterprise undertaken by the Renaissance princes and the leaders of most ex-colonial states. The third is the distributionist version with its aim of promoting some form of egalitarianism. Both the secular enterprise visions involve dirigisme.

Oakeshott notes that as in many other preindustrial societies, modern Europe inherited a "morality of communal ties" from the Middle Ages. This was gradually superseded from the sixteenth century by a morality of individuality. This individualist morality was fostered by the gradual breakdown of the medieval order which allowed a growing number of people to escape from the "corporate and communal organization" of medieval life.

But this dissolution of communal ties also bred what Oakeshott terms the "anti-individual," who was unwilling or unable to make his own choices. Some were resigned to their fate, but in others it provoked "envy, jealousy and resentment. And in these emotions a new

disposition was generated: the impulse to escape from the predicament by imposing it upon all mankind" (24). This, the anti-individual sought to do through two means. The first was to look to the government to "protect him from the necessity of being an individual" (25). A large number of government activities epitomized by the Elizabethan Poor Law were devoted from the 16th century onwards "to the protection of those who, by circumstance or temperament, were unable to look after themselves in this world of crumbling communal ties" (25).

The anti-individual, second, sought to escape his "feeling of guilt and inadequacy which his inability to embrace the morality of individuality provoked" (25) by calling forth a "morality of collectivism," where "'security' is preferred to 'liberty,' 'solidarity' to 'enterprise' and 'equality' to 'self-determination'" (27). Both the individualist and collectivist moralities were different modifications of the earlier communal morality, but with the collectivist morality in addition being a reaction against the morality of individualism.

This collectivist morality inevitably supported the view of the State as an enterprise association. While this view dates back to antiquity, few if any premodern states were able to be "enterprising," as their resources were barely sufficient to undertake the basic tasks of government—law and order and external defense. This changed with the creation of centralized nation-states by the Renaissance princes and the subsequent Administrative Revolution, as Hicks (1969:99) has labeled the gradual expansion of the tax base and thus the span of control of the government over its subjects' lives. Governments now had the power to look upon their activities as an enterprise.

In the Third World, as with the European anti-individualists, jealousy, envy, and resentment were based on the dissolution of the previous communal ties that industrialization and modern economic growth entails, but these emotions were supplemented by the feeling among the native elites of a shared exclusion from positions of power during the period of foreign domination. Not surprisingly, the dominant ideology of the Third World came to be a form of nationalism associated with some combination of the productivist and distributivist versions of the state viewed as an enterprise association. The dysfunctional nature of the dirigisme this led to has made them retreat from but not abandon their past dirigisme, with planning being replaced by regulation. So, there is no guarantee that the pendulum will not swing back once again towards full scale economic repression, as it did in Europe after the brief Age of Reform.

This period of economic liberalism was short-lived, in part due to the rise of another substantive purpose that most European states came to adopt—the egalitarian ideal promulgated by the Enlightenment. Governments in many developing countries also came to espouse this ideal of socialism. The apotheosis of this version of the state viewed as an enterprise association were the Communist countries seeking to legislate the socialist ideal of equalizing people. The collapse of their economies under similar but even more severe strains than those that beset less collectivist neomercantilist Third World economies is now history, though I cannot help remarking on the irony that it took two hundred years for 1989 to undo what 1789 had wrought!

The Future

What of the future? Is this new worldwide "Age of Reform" likely to be more permanent than its nineteenth-century predecessor? There are auguries, both favorable and unfavorable.

Let us take the latter first. The desire to view the state as an enterprise association still lingers on, as part of social democratic political agendas in many countries. It has ancient roots and is unlikely to die. It has now adopted a new voice, which Ken Minogue (1995) has labeled "constitutional mania." This emphasizes substantive social and economic rights in addition to the well-known rights to liberty—freedom of speech, contract, and association—emphasized by classical liberals. It seeks to use the law to enforce these "rights" based partly on "needs" and partly on the "equality of respect" desired by a heterogeneity of self-selected minorities differentiated by ethnicity, gender, and/or sexual orientation. But no less than in the collectivist societies that have failed, this attempt to define and legislate a newly discovered and dense structure of rights (including for some activists those of non-human plants and animals) requires a vast expansion of the government's power over people's lives. Their implementation, moreover, requires—at the least—some doctoring of the market mechanism. Then there is the global environmental scare and the population scare. Finally, the UN has taken up the cause of the world's poor and is seeking to establish a worldwide welfare state through a UN economic security council. Classical liberals can clearly not yet lay down their arms!

Equally worrying is the "Delors" vision of Europe, which seems to be a form of mercantilist nation-building, in the manner of the Renaissance

princes documented by Heckscher.² Many voices are also resurrecting the threat from pauper labor imports to U.S. and European living standards (particularly of the low-skilled), and thence their social harmony. This is particularly worrying as it echoes various fears in the late nineteenth century of the social disruptions and discontent caused by the Industrial Revolution. Though recent historical work has questioned the bleak picture painted by novelists such as Dickens,³ their fears were nevertheless influential in propagating the dirigiste cause, which led to the gradual unraveling of the nineteenth-century liberal international economic order (LIEO) as the distributive consequences of trade integration led to the rise of protectionist political coalitions in the US, Germany and France after 1870.⁴

Another great structural change is taking place in Western economies, whose short-term consequences could be equally painful and trigger another dirigiste reversal of the emerging LIEO. It maybe worth spelling this out. Hicks saw the substitution of fixed for circulating capital as the distinguishing feature of the Industrial Revolution.⁵ But, as Ricardo, in his chapter on "Machinery," noted, during the period of adjustment there could be a reduction in employment and output; though at the end of the process the productive power and hence the level and growth rate of output and employment would be higher. This explains why it took a long time in Britain for the Industrial Revolution to raise overall living standards, and why during the period of adjustment, the older handicraft workers (using circulating capital in various forms of the "putting out" system) initially suffered, until they were eventually transformed into much richer industrial workers.

Today a similar process is underway in the West, with the increasing substitution of human for fixed capital in its newly emerging "information age" service economies. This process has been accelerated by the emerging liberal international economic order (LIEO) as the countries of Asia with abundant unskilled labor—particularly China and India—go through their own industrial revolutions, and increasingly specialize in the production for export of those manufactures on which workers—particularly the low-skilled—had depended in the past in the West. The ongoing substitution of human for fixed capital is an unavoidable means for maintaining and raising living standards in the West. But during the process of adjustment it may cause severe social strains.

In this adjustment process it is inevitable that initially the premium on human capital should rise, as this provides the signal for workers

to upgrade their skills. This rising skill premium accompanied by stagnation in the wages of the unskilled is evident in all Western countries. Those countries, mainly in Europe, which have prevented this signal from working, have found that, instead of low and stagnant wages for the unskilled they have the much worse problem of high and rising unemployment. Despite the siren voices calling for protection from Third World imports to ease these problems, for the West to follow their advice would be a snare and a delusion. But, as the rise of protectionism based on the equally deluded infant industry arguments of Hamilton and List in the late 19th century demonstrates, such snares are not always avoided. At a time when the third and second worlds have enthusiastically embraced the LIEO, it is the temptation for harried Western governments to turn their backs on the world they have created that constitutes the greatest threat to the future of the new global LIEO.⁶

Then, there is the creeping and continuing dirigisme to promote various "social policies" in many Western states (including the United States). These include demands for the inclusion of environmental and labor standards in the WTO (which has replaced GATT), as well as recent attempts to thrust Western moral values (democracy and human rights) down foreign throats—using the threats of unilateral trade restrictions. All these inevitably poison international relations. The nagging bad temper that is generated could lead to a gradual erosion of the liberal international economic order, as in the late nineteenth century.

Meanwhile there are more immediate worries that the recent financial crises in Asia might lead to a backlash against the globalization of capital flows in developing countries.⁷ There is a pervasive fear in the Third World that continuing capital market liberalisation will lead to a greater volatility in their national incomes, damaging growth performance. The recent Asian crisis which has taken the stripes off so many of the region's tigers has merely accentuated these fears. Mahathir's reimposition of stringent capital controls in Malaysia maybe the harbinger of a trend towards the resuscitation of economic nationalism.

This fear of volatility is an ancient worry of the Third World, earlier expressed as the purported adverse effects on growth of the export instability engendered by the integration of primary product exporting countries in the world economy.⁸ In the twenty-five-country study covering the period since World War II, Myint and I could find no statistical evidence that the volatility of annual growth rates effected overall

growth performance—a conclusion in consonance with the numerous studies of the effects of export instability on growth. Thus Hong Kong has had one of the most volatile growth rates among developing countries, while India one of the most stable—but the long-run growth performance of Hong Kong puts the Indian one to shame. Thus though there may undeniably be greater volatility in national incomes of countries integrating with the world economy, this need not damage their long-run growth rates.

Against these dangers there are many hopeful signs. As in premodern times, today's states are finding it more and more difficult to find the resources to continue (or increase) their enterprise. This is partly because of the worldwide growth in tax resistance,⁹ and most important the virtually complete integration of international financial markets. The latter has strengthened the former. Nor is a reimposition of exchange controls to stop this process likely, if for no other reason than that it would now have to be adopted and enforced worldwide.

The instincts of the state through most of human history have been predatory. The integration of world financial markets provides a bulwark against these base instincts—like tying Ulysses to the mast. Every government is now concerned about the rating of its country and its enterprises by world capital markets. Bad policies—or at least those disapproved of by world capital markets—can lead to an instantaneous reduction in a country's wealth, and the terms on which it can acquire the means to increase it, a painful lesson many southeast Asian countries have recently learned. The worldwide movement toward fiscal rectitude and the creation of an economic environment that is transparent and rewards efficiency is no longer a matter of choice but of necessity. With massive global flows of capital triggered at the press of a button, governments are now faced with an instantaneous international referendum on their economic policies. The Central Bank or Treasury proposes, but the money market disposes!

The same actual or incipient fiscal crisis which has ultimately prevented the State from giving in to the "enterprise" voice, or led to forced reversals in its past dirigisme, also threatens the major form of its continuing enterprise in the West—the welfare state. The partial dismantling of the New Zealand welfare state and its continuing erosion in that social democratic beacon of hope, Sweden, are surely more than straws in the wind.¹⁰

Finally, there is the recent spectacular movement from the plan to the market in China and India. The future progress of these ancient

civilizations raises unresolved questions about the relationship between culture, democracy and development.¹¹ Can the market survive in polities which are undemocratic? Will globalization necessarily lead to the worldwide spread of a homogenized Western culture? On the latter I have my doubts, partly because the very mainspring of Western culture—its individualism—is paradoxically leading to social decay and decadence in the West.¹² There is a triumphalist tendency in the West, most noticeable in the United States, to identify its own cultural and political forms as necessary conditions for its economic success. This raises complex issues that I cannot go into on this occasion.¹³ There is, however, one point that needs to be stressed, and that concerns the first of the questions posed in this paragraph. Many, including the major contemporary advocate of the classical liberal order—Hayek¹⁴—have posited a necessary connection between economic and political liberty (nowadays translated into the market cum democracy). I disagree.¹⁵ Oakeshott's distinction between a civil and enterprise association is more useful in judging the sustainability of a market order. For after all, until 1997, the only "country" that was clearly a civil rather than enterprise association—in Oakeshott's terms—was Hong Kong, and it was a colony, now extinguished!

I argued in my Ohlin lectures (Lal 1998b) that their cosmological beliefs have a tenacious hold on the minds of different civilizations. The West, as I argued, is still haunted by St. Augustine's *City of God* and its narrative of a Garden of Eden, the Fall, the Day of Judgment that leads to paradise for the saved. I showed how much of secular Western thought from Marxism to Freudianism to environmentalism regurgitates the same narrative. It clearly has a tenacious hold on Western minds. But promoting these secular Augustinian visions again requires dirigisme, and it would not be surprising if the West were to once again chase another enterprise vision which would end the current Age of Reform. We would then have the third Heckscherian cycle (as it maybe called) between economic repression followed by reform since the emergence of the modern world from the Middle Ages.

Notes

1. The following section is based on Lal-Myint (1996:292–293).
2. See Wolf (1994).
3. See Hayek (1954).
4. See Rogowski (1989).

5. See Hicks (1969), esp. the appendix, and Lal (1978), appendix A.
6. This fear is also echoed by Williamson (1996).
7. The remainder of this section is based on Lal (1998a, 1999).
8. See Lal (1983).
9. In a rearguard action, the OECD has just announced a task force that will study how to prevent tax competition between states, which is rightly feared to be eroding the ability of states to extract the maximum revenue from their citizens. Whether one should applaud this attempt to create a cartel of predatory states to maximize the exploitation of their prey depends upon whether one sides with the predator or the prey. But even if such a cartel could be formed, it would be subject to the form of cheating that undermined the OPEC cartel, for instance: some country or other would find it in its interests to attract mobile factors of production with the inducement of lower taxation. By so openly avowing the cause of the predatory states that control its purse strings, the OECD would seem to have signed its death warrant in the eyes of economic liberals.
10. I may claim some foresight in seeing trends earlier than most others. See chapters 8 and 15 in Lal (1993).
11. I deal with some of these in my 1995 Ohlin lectures (Lal 1998b).
12. See Lal (1998b) for details and substantiation.
13. But see Lal (1998a, 1998b).
14. See Hayek (1979).
15. See Lal (1996).

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