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TRUST

THE SOCIAL VIRTUES & THE
CREATION OF PROSPERITY

CHAPTER 30

After the End of Social Engineering

The worldwide convergence in basic institutions around liberal democracy and market economics forces us to confront the question of whether we have reached an “end of history,” in which the broad process of human historical evolution culminates not, as in the Marxist version, in socialism but rather in the Hegelian vision of a bourgeois liberal democratic society.¹

Some readers of this book might think it takes a very different and contradictory position, because they believe it argues against a purely liberal economic order in favor of one that is both traditional and communitarian. This interpretation could not be further from the truth.² Not one of the traditional cultures studied in this book—not that of Japan, China, Korea, or any of the older Catholic-authoritarian cultures of Europe—was capable of producing the modern capitalist economic order. Max Weber is frequently criticized for arguing that Confucian societies like Japan and China could not become successful capitalist ones. But he

was actually speaking to a somewhat narrower point: he wanted to understand why modern capitalism, as well as other aspects of the modern world like natural science and the rational mastery of nature, arose in Protestant Europe and not in traditional China, Japan, Korea, or India.³ And on this point, he was absolutely correct when he asserted that aspects of these traditional cultures were hostile to economic modernity. Only when the latter was introduced from the outside, as a consequence of China and Japan's contact with the West, did capitalist development begin to take off. This confrontation with the technological and social prowess of the West forced these societies to drop many key elements of their traditional cultures. China had to eliminate "political Confucianism," the entire imperial system with its class of gentlemen-scholars; Japan and Korea had to do away with their traditional class divisions, and the former had to redirect the *samurai* warrior ethic.

None of the Asian societies that has prospered economically in the past few generations could have done so without incorporating important elements of economic liberalism into their indigenous cultural systems, including property rights, contract, commercial law, and the entire confluence of Western ideas concerning rationality, science, innovation, and abstraction. The work of Joseph Needham and others has shown that the Chinese level of technology in the year 1500 was higher than that prevailing in Europe.⁴ What China did not have, however, and what Europe subsequently developed, was a scientific method that permitted the progressive conquest of nature through empirical observation and experiment. The scientific method itself was made possible by a cast of mind that sought to understand higher-level causality through abstract reasoning about underlying physical principles, something alien to the polytheistic religious cultures of Asia.⁵

It is understandable that the Chinese societies that were the first to industrialize and prosper were those that fell under the control or influence of Western powers like Britain or the United States, including Hong Kong, Singapore, and Taiwan. And it is no accident that immigrants from traditional societies to liberal countries like the United States, Canada, and Britain did much better than their countrymen at home. In all of these cases, the framework of a liberal society constituted a liberation from the constraints of a traditional culture that inhibited the development of entrepreneurship and constrained the open-ended accumulation of material wealth.

On the other hand, most thoughtful observers and theorists of political

such a thing as “History” in the Marxist-Hegelian sense that homogenizes disparate cultures and pushes them in the direction of “modernity.” But since there are limits to the effectiveness of contract and economic rationality, the character of that modernity will never be completely uniform. For example, certain societies can save substantially on transaction costs because economic agents trust one another in their interactions and therefore can be more efficient than low-trust societies, which require detailed contracts and enforcement mechanisms. This trust is not the consequence of rational calculation; it arises from sources like religion or ethical habit that have nothing to do with modernity. The most successful forms of modernity, in other words, are not completely modern; that is, they are not based on the universal proliferation of liberal economic and political principles throughout the society.

This conundrum can be expressed in a different way. Not only have grand ideological projects like communism failed, but even the more modest efforts at social engineering—the sort attempted by moderate democratic governments—have reached a dead end at the conclusion of the twentieth century. The French Revolution ushered in a period of incredibly rapid social change. Over the next two hundred years, all European societies and many of those outside Europe were transformed beyond recognition from poor, uneducated, rural, agricultural, authoritarian ones to urban, industrialized, wealthy democracies. In the course of these transformations, governments played a major role in precipitating or facilitating change (and in some cases, trying to stop it). They abolished entire social classes, engaging in land reform and the disbanding of large estates; they introduced modern legislation guaranteeing equality of rights for ever-larger circles of the population; they built cities and encouraged urbanization; they educated entire populations and provided the infrastructure for modern, complex, information-intensive societies.

There have been increasing indications over the past generation, however, that the kinds of results achievable through this sort of large-scale social engineering have been subject to diminishing marginal returns. In 1964, the Civil Rights Act laid to rest at the stroke of a pen legally sanctioned racial inequalities in the United States. In subsequent years, however, abolishing substantive inequality for African-Americans has proven a much more difficult problem. The solution that seemed so obvious in the 1930s and 1940s was the steady expansion of the welfare state through income redistribution or job creation and the opening to minorities of health, educa-

tion, employment, and other social benefits. By the end of the century, these solutions not only seem ineffective, but in many cases are seen as contributing to the very problems they sought to solve. A generation or more ago, there would have been a broad consensus among social scientists of a largely one-way causal relationship between poverty and family breakdown, flowing from the former to the latter. Today people are much less certain, and few believe that the problems of the contemporary American family can be fixed simply through the equalization of incomes. It is easy to see how government policies can encourage the breakdown of families, as when they subsidize single motherhood; what is less obvious is how government policy can restore family structure once it has been broken.

The collapse of communism and the end the cold war have not, as many commentators have asserted, led to a global upsurge of tribalism, a revival of nineteenth-century nationalist rivalries,⁸ or a breakdown of civilization into anomic violence.⁹ Liberal democracy and capitalism remain the essential, indeed the only, framework for the political and economic organization of modern societies. Rapid economic modernization is closing the gap between many former Third World countries and the industrialized North. With European integration and North American free trade, the web of economic ties within each region will thicken, and sharp cultural boundaries will become increasingly fuzzy. Implementation of the free trade regime of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) will further erode interregional boundaries. Increased global competition has forced companies across cultural boundaries to try to adopt “best-practice” techniques like lean manufacturing from whatever source they come from. The worldwide recession of the 1990s has put great pressure on Japanese and German companies to scale back their culturally distinctive and paternalistic labor policies in favor of a more purely liberal model. The modern communications revolution abets this convergence by facilitating economic globalization and by propagating the spread of ideas at enormous speed.

But in our age, there can be substantial pressures for cultural differentiation even as the world homogenizes in other respects. Modern liberal political and economic institutions not only coexist with religion and other traditional elements of culture but many actually work better in conjunction with them. If many of the most important remaining social problems are essentially cultural in nature and if the chief differences among societies are not political, ideological, or even institutional but

rather cultural, it stands to reason that societies will hang on to these areas of cultural distinctiveness and that the latter will become all the more salient and important in the years to come.

Awareness of cultural difference will be abetted, paradoxically, by the same communications technology that has made the global village possible. There is a strong liberal faith that people around the world are basically similar under the surface and that greater communications will bring deeper understanding and cooperation. In many instances, unfortunately, that familiarity breeds contempt rather than sympathy. Something like this process has been going on between the United States and Asia in the past decade. Americans have come to realize that Japan is not simply a fellow capitalist democracy but has rather different ways of practicing both capitalism and democracy. One result, among others, is the emergence of the revisionist school among specialists on Japan, who are less sympathetic to Tokyo and argue for tougher trade policies. And Asians are made vividly aware through the media of crime, drugs, family breakdown, and other American social problems, and many have decided that the United States is not such an attractive model after all. Lee Kwan Yew, former prime minister of Singapore, has emerged as a spokesman for a kind of Asian revisionism on the United States, which argues that liberal democracy is not an appropriate political model for the Confucian societies.¹⁰ The very convergence of major institutions makes peoples all the more intent on preserving those elements of distinctiveness they continue to possess.

If these differences cannot be reconciled, they can at least be confronted squarely. Obviously, one cannot begin any serious study of foreign cultures by evaluating them from the standpoint of one's own. On the other hand, one of the biggest obstacles to a serious comparative study of culture in the United States is the assumption, made for political reasons, that all cultures are inherently equal. Any such study requires the exploration of differences among cultures against some standard, which in this book has been economic performance. The desire for economic prosperity is itself not culturally determined but almost universally shared. It is hard, in this context, not to come to some judgments about the relative strengths and weaknesses of different societies. It is not sufficient to say that everyone eventually arrives at the same goal but by different paths. *How* a society arrives and the speed with which it does so affect the happiness of its people, and some never arrive at all.