

WORLD ECONOMIC DEVELOPMENT

1979 and Beyond

Herman Kahn

with the Hudson Institute

Westview Press / Boulder, Colorado

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Published in 1979 in the United States of America by
Westview Press, Inc.
5500 Central Avenue
Boulder, Colorado 80301
Frederick A. Praeger, Publisher

Library of Congress Catalog Card Number: 79-1737
ISBN: 0-89158-392-0

Printed and bound in the United States of America

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Preface

When the International Chamber of Commerce first began planning its 1978 Congress, we invited Herman Kahn and the Hudson Institute to play central roles in our proceedings. We expected that they would offer a stimulating perspective for our deliberations, but they have done a far bigger and better job than we had a right to expect. While Herman Kahn would be the first to acknowledge that much of the discussion is tentative and speculative, it has succeeded in providing us with such extraordinary and provocative concepts as the idea of the "agnostic use of history, analogies, and metaphors." This aids greatly in dealing with the real world in the absence of rigorous theories and complete and well-documented information. This is precisely the spirit of this book.

We are all aware that important new problems and prospects lie ahead. We also recognize that we must cope with them if we are to survive. Much is already known about some of these problems; and every bit of knowledge we have should certainly be used. However, many situations are so beclouded by ambiguity, insufficient data, or contradictory and confusing ideological polemics that the best we have to work with are theories of varying plausibility or even intuitions. Mr. Kahn explains in this book how, as practical people, we can go ahead even on such a basis.

I am also intrigued by Herman Kahn's concept that the late nineteenth and early twentieth centuries can be broken down into four periods, and especially by his identification of the years 1974 to 2000 or so as *L'époque de Malaise*. I am much heartened by his argument that natural social, political, and cultural forces are likely to slow the growth of both population and production long before the world encounters any fundamentally unmanageable or disastrous

problems of supply, pollution, or other side effects of the “great transition” he envisages from pre-industrial to post-industrial society. I note his fear that these forces may be emerging too rapidly and prematurely—at least in the Advanced Capitalist nations. On the other hand, I particularly appreciate his imaginative projections of the new and exciting forms of social organization and patterns of life that he foresees as possible over the next century or so.

We were delighted to be able to use the special edition of *World Economic Development* as the focus of our deliberations at the twenty-sixth Congress of the ICC in Orlando in October 1978. The favorable reception Herman Kahn received at Orlando for his brilliant analysis testifies not only to his eloquence and persuasiveness but to the cogency and significance of his arguments for businessmen, policy makers, the educated public, and the entire international community. We are gratified that a wider audience will benefit from the publication of this edition, and we thank Herman Kahn and the Hudson Institute, for their contributions to the world’s knowledge and comprehension of subjects that are as vitally important as they are poorly understood.

Ian MacGregor
President
International Chamber of Commerce

Acknowledgments

This book examines the prospects for world economic development. It focuses primarily on the period from 1978 to 2000 and pays particular attention to the earlier part of that interval. Because the world has recently been in a chaotic state, it is especially difficult at present to talk about the next ten or twenty years. Not only do unsettled conditions cloud our vision, but they also generate events that could significantly alter the future. Furthermore, there is great confusion about what is currently happening. If I had spent more time in research and analysis before writing this book, it would have been possible to elaborate and clarify many ideas touched upon cursorily or even superficially, but the study would also probably have lagged behind events. It is precisely during the current period of uncertainty that this work may be of greatest value, although we also hope we say many things in this study of relatively permanent significance.

My willingness to publish the study sooner rather than later was increased by the generous offer of the International Chamber of Commerce to make a special edition of this book a basic document of their 1978 Annual Conference and to help support the necessary research both intellectually and financially. The special edition was prepared and distributed at the ICC convention in Orlando, Florida, in October 1978. Copies of the special ICC edition are available from the Hudson Institute. The present trade edition is a slimmer, less specialized, and hopefully more lucid and direct statement of the main ideas and issues laid out at greater length in the special edition.

Hudson Institute's Business and Society Program provided additional support through grants from the Ford Motor Company and the Olin and Scaife Foundations. Materials were also drawn from

Hudson's Corporate Environment Program, an ongoing effort supported by fifty major corporations.

This book reflects the contributions of many members of the Hudson Institute staff and of others. We are grateful to Paul Bracken, Bill Brown, Jack Cassidy, Thomas Dichter, Marie-Josée Drouin, Irv Leveson, Leon Martel, Thomas Pepper, John Phelps, Garrett Scalera, and Jimmy Wheeler for their contributions, helpful criticism, and useful suggestions; to Andrew Caranfil, Ruth Paul, Carl F. Plossl, Barbara Rovello, Lynne Salop, and Mildred Schneck for documentation and other information; to Marilee Martel, Carol Kahn Mathes, and Ernest Schneider for expert editorial assistance; to Marilee Martel for preparing the index; to Dr. Barnet Groten for a most thorough, perceptive, and useful critique; to Richard A. Lacey for copy editing the final draft; and to Daniel Raymond Stein for editing and serving as editorial consultant for both the special and the trade editions.

I am especially grateful to Paul Bracken for some of the material on Mexico; to Marie-Josée Drouin, who made helpful comments on the entire manuscript and who helped prepare the section on Canadian malaise; to Irv Leveson, who read the entire manuscript, offered many helpful suggestions, and made major contributions to the sections on affluent countries, malaise in the United States, and inflation; to Leon Martel, who contributed much of the section on malaise in the USSR and the Soviet bloc and who supervised and coordinated the production of both editions; to my old friend John Phelps for his dedicated assistance and advice; to Garrett Scalera, who was a major participant in the early phases of this book and who contributed heavily to Chapter 6 on South Korea, Taiwan, and Japan; and to Jimmy Wheeler, who made major contributions to the sections on inflation, malaise, international trade, and Japan. The section on cultural encounters and cultural reactions in Chapter 3 was revised by me and Thomas Dichter from materials first developed by Edmund Stillman and William Pfaff.

I would also like to express my appreciation to the many people who helped with various other parts of the book, especially those who initiated an earlier project from which this book developed. Hideaki Kase was going to be a co-author of this work until time and circumstances interfered. Perhaps most important, special thanks are due to our many friends in South Korea and Taiwan, particularly Kim Mahn-Je, the late Mason Yeh, and their associates and colleagues who first sparked our interest in doing the earlier project and thus the book. They taught us a great deal over the last few years from their first-hand experience with economic development.

Our gratitude goes to Maureen Pritchard, Vivian Hildebrandt, and Dorothy Worfolk for their tireless efforts in supervising the typing of the manuscript, with the able assistance of Kathleen Dymes, Helen Iadanza, Ilse Lehmeier, Anne Marsek, Rose Marie Martin, Betty McRobbie, Mary Mitchell, Jane Petrone, Carolann Roussel, Elaine Shelah, and Annie Small. We are also grateful to Kathryn Finch for her graphic work and to Adam McDonald and John Palka for logistic support.

The staff of Westview Press were both forbearing and helpful as we galloped to meet seemingly impossible deadlines for the special ICC edition. We wish to thank particularly Fred Praeger, publisher; Lynne Rienner, vice-president and executive editor; Rolla Rieder, vice-president, production; Lynn Lloyd, associate editor; and whomever helped them accomplish the miracle. They have continued to encourage and assist us throughout the preparation of this trade edition.

Like any social product, this book has drawn on the learning and labors of many individuals. Nonetheless, as the author, I bear full responsibility for its contents and will accept with pleasure any plaudits for its merits and with equanimity the inevitable slings and arrows for its flaws.

Herman Kahn

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