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Leaders

The Berlin Wall

So much gained, so much to lose

Nov 5th 2009

From *The Economist* print edition

Over the past 20 years economic freedom has outpaced political liberty. Neither should be taken for granted



Magnum

"OF ALL places it was in divided Berlin in divided Germany in divided Europe that the cold war erupted into an east-west street party," this newspaper observed 20 years ago (see article). Even to those who had been confident of the eventual triumph of the West, the fall of the Berlin Wall was surprisingly accidental. When 200,000 East Germans took advantage of Hungary's decision to open its borders and fled to the West, their communist government decided to modify the travel restrictions that imprisoned them. Asked about the

timing, the unbriefed propaganda minister mumbled: "As far as I know, effective immediately." When that was reported on television, the Berliners were off. Baffled border guards who would have shot their "comrades" a week earlier let the crowd through—and a barrier that had divided the world was soon being gleefully dismantled. West Germany's chancellor, Helmut Kohl, was so unready for history that he was out of the country.

The destruction of the Iron Curtain on November 9th 1989 is still the most remarkable political event of most people's lifetimes: it set free millions of individuals and it brought to an end a global conflict that threatened nuclear annihilation. For liberals in the West, it still stands as a reminder both of what has been won since and what is still worth fighting for.

Remember the Stasi, but don't forget the fridges

Yet the past two decades have seen economic freedom advance further than political freedom. Talk 20 years ago of a peaceful new world order has disappeared. New divisions have emerged out of nationalism, religion or just "fear of the other". Rather than making the case for democracy unassailable, plenty of countries, including, alas, a few of the old Warsaw Pact members, most of the Arab world and China, have been able to run shamelessly

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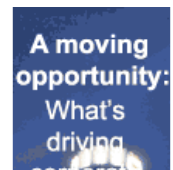
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repressive authoritarian

regimes. When Western leaders visit Moscow, Riyadh or Beijing, they merely mumble about human rights. The presumption has become that such regimes will endure.

By contrast, "globalisation", that awkward term that covers the freer movement of goods, capital, people and ideas around the globe, has become the governing principle of commerce. That does not mean it is universally accepted: witness the travails of the Doha round of trade talks. But few places openly oppose it. In the economic sphere, illiberalism usually has to disguise itself through governments trying to adapt it, stressing "capitalism with Chinese characteristics", "stakeholder capitalism", "fair trade" and so on. Even after the crunch, the commercial classes assume that the world will become more integrated: who can resist economic logic and technology?

It is not hard to see why such a presumption should exist. Consider two successes of economic liberalism, both somewhat under-appreciated at the moment. The first is its role 20 years ago (see [article](#)). The East Berliners rushing to the West were not just fleeing the Stasi; they also came in search of fridges, jeans and Coca-Cola from supermarkets. By then communism, for all its tanks and missiles, was plainly a less efficient economic machine. Mikhail Gorbachev deserves credit for allowing so many serfs to escape so peacefully; but the Soviet Union crumbled because it could not produce the goods.

And even if the current round of globalisation technically began before the wall fell, it was spurred on by it. (The word seldom appeared in *The Economist* before 1986 and began to be common only in the 1990s.) Globalisation would have meant much less if half of Europe had been bricked in; many instinctively statist giants of the emerging world, such as Brazil, India or even China, would have been far slower to open up their economies if a semi-credible alternative had still existed.

That points to the second under-appreciated success. At present capitalism is too often judged by the excesses of a few bankers. But when historians come to write about the past quarter-century, Lehman Brothers and Sir Fred "the Shred" Goodwin will account for fewer pages than the 500m people dragged out of absolute poverty into something resembling the middle class. Their success is not just a wonderful thing in itself—the greatest leap forward in economic history. It has also helped spur on other chaotic freedoms: look at the way ideas, good, bad and mad, are texted around the world.

For in the end, no matter what China's leaders tell Mr Obama when he visits Beijing later this month, economic and political liberty are linked—not as tightly as people hoped 20 years ago, but still linked. Look forward, and China's internet-obsessed emerging middle class will surely have an appetite for liberty beyond the purely economic. Change could happen as unexpectedly as it did in 1989. Even the most fearsome fortresses of repression can eventually be breached. Then it was Honecker and Ceausescu; tomorrow it might be Castro, Ahmadinejad or Mugabe; one day Chávez or even Hu.

Marx to market

Put another way, the presumption that political freedom will never catch up with economic freedom could turn out to be joyously wrong. The problem is that this gap could also be closed another way. Economic freedom could be slowed down, perhaps even reversed, by politics.

For Western liberals, even ones who believe in open markets as unreservedly as this paper, that means facing up to some hard facts about the popularity of their creed. Western capitalism's victory over its rotten communist rival does not ensure it an enduring franchise from voters. As Karl Marx pointed out during globalisation's last great surge forward in the 19th century, the magic of comparative advantage can be wearing—and cruel. It leaves behind losers in concentrated clumps (a closed tyre factory, for instance), whereas the more numerous winners (everybody driving cheaper cars) are disparate. It makes the wealthy very wealthy: in a global market, you will hit a bigger jackpot than in a local one. And capitalism has always been prone to spectacular booms and busts.

Above all politics remains stubbornly local. All that economic integration has not been matched politically. And to the extent that there is a global guarantor of the current system, it is America, a country which as globalisation works will continue to lose relative power. Thanks to its generosity in exporting the secrets of success, it now has China closer to its shoulder and other emerging giants are catching up. Public support for protectionism has surged in the United States.

In the affairs of man, wounded pride and xenophobia often trump economic reason. Why else would Russia terrorise its gas customers? Or Britons demonise



the EU? In a rational world China would not stir up Japanophobia and rich Saudis would not help Islamic extremists abroad. Many businesspeople, too busy on their BlackBerrys to worry about nationalism or fundamentalism, might ponder Keynes's description of a prosperous Londoner before August 1914: sipping his morning tea in bed, ordering goods from around the world over the telephone, regarding that age of globalisation as "normal, certain, and permanent, except in the direction of further improvement" and dismissing "the politics of militarism" and "racial and cultural rivalries" as mere "amusements in his daily newspaper".

Be prepared, be very prepared

Recognising the political shortcomings of globalisation should redouble Western liberals' determination to defend it: to close the gap in the right way. That involves a myriad of things, from promoting human rights to designing better jobs policies (see [article](#)). But it also requires defending the enormous benefits that capitalism has brought the world since 1989 more forcefully than the West's leaders have done thus far. And above all perhaps, taking nothing for granted.

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