



How the West Was Lost: Fifty Years of Economic Folly--and the Stark Choices Ahead

By Dambisa Moyo

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In *How the West Was Lost*, the *New York Times* bestselling author Dambisa Moyo offers a bold account of the decline of the West's economic supremacy. She examines how the West's flawed financial decisions have resulted in an economic and geopolitical seesaw that is now poised to tip in favor of the emerging world, especially China.

Amid the hype of China's rise, however, the most important story of our generation is being pushed aside: America is not just in economic decline, but on course to become the biggest welfare state in the history of the West. The real danger is a thorn, Moyo claims. While some countries – such as Germany and Sweden – have deliberately engineered and financed welfare states, the United States risks turning itself into a bloated welfare state not because of ideology or a larger vision of economic justice, but out of economic desperation and short-sighted policymaking. *How the West Was Lost* reveals not only the economic myopia of the West but also the radical solutions that it needs to adopt in order to assert itself as a global economic power once again.

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- Sales Rank: #1902288 in Books
- Published on: 2011-02-15
- Released on: 2011-02-15
- Format: Bargain Price
- Number of items: 1
- Dimensions: 8.31" h x .86" w x 5.85" l,
- Binding: Hardcover
- 240 pages

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Editorial Review

Review

“Moyo’s diagnosis of the recent disasters in financial markets is succinct and sophisticated...I applaud her brave alarm against our economic and social complacency: her core concerns are sufficiently close to painful truths to warrant our attention.”—Paul Collier, *The Observer*

“We [in the West] have alienated trading partners and are colluding in the decline of our own prosperity, says Moyo, who sets out strategies for weighting the political seesaw back to our advantage.” —Iain Finlayson, *The Times*

“This argument...can rarely have been made more concisely...Moyo is a very serious lady indeed.”—Dominic Lawson, *The Times*

“The sad saga of the recession gives legs to Dambisa Moyo’s provocatively-entitled book, for it goes to the heart of the great economic issue of our times: how swiftly will power shift over this century?”— Hamish McRae, *The Independent*

About the Author

Dambisa Moyo is the author of *Dead Aid*. Born and raised in Lusaka, Zambia, Moyo completed a Ph.D. in economics at Oxford University and holds a master’s from Harvard University’s John F. Kennedy School of Government. She worked for the World Bank as a consultant, and also worked at Goldman Sachs for eight years. In 2009, *Time* magazine named her one of the “100 most influential people in the world.” Her writing frequently appears in publications including the *Financial Times*, *The Economist*, and *The Wall Street Journal*.

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PART ONE

The Way It Was

1

Once Upon a Time in the West

Once upon a time, the West had it all: the money, the political nous, the military might; it knew where it wanted to go, and had the muscle to get there. Be it Portugal, Spain, the Netherlands or England, this held true for 500 years. However, the story of the West’s dominance in the second half of the twentieth century is the story of America.¹

Whether it was the US troops pouring on to the shores of Normandy with the Allied forces or the *Enola Gay* dropping the bomb on Hiroshima, by the end of the Second World War the baton of global power (economic, political or military) passed from Great Britain to the United States. While it took almost fifty years for the Cold War to play itself out, for the most part the US firmly maintained its paramount position for the next five decades and into the twenty-first century.

Of course, in the prelude to the Second World War, the United States had suffered the consequences of the 1929 Great Depression (by 1933 the value of stocks on the New York Stock Exchange was less than 20 per cent of what it had been at its peak in 1929, and US unemployment soared to around 25 per cent) and the

trauma and casualties of the First World War. Although it did not end the economic crisis of the 1930s, President Franklin Roosevelt's New Deal was an attempt to reconstruct American capitalism, and give the not so invisible hand of the government a new and more dynamic role. At its core America would remain a supporter of free enterprise, but the plan was for government to play a key role in orchestrating, supervising and directing the faltering economy, leading, not following, private enterprise and administering large-scale endeavours. All this would prepare America for and enable it to capitalize on the war that would break the back of Western Europe.²

Thus, despite any remaining weaknesses, with the advent of the Second World War America was in a unique position to direct the industrial, military and manufacturing sectors to its best economic advantage. In this sense, the Second World War was not seen simply as a political and military necessity, but as an economic opportunity to which it was ready to respond.

For example, in 1941, President Roosevelt signed into law the Lend-Lease Act which would sell, exchange, lease or lend to America's allies any military equipment deemed necessary. From 1941 to 1945, under this programme, matériel worth US\$50bn (equivalent to US\$700bn at 2007 prices) – battleships, machine guns, torpedo boats, submarines and even army boots – were shipped across the waters to its beleaguered allies. Europe took on a heavy burden of future debt repayments to the US through the Lend-Lease programme (Britain made the final payment of its Lend-Lease loan of US\$83.83m on the last day of 2006 – fifty years later), and America peaked economically after the war, in the 1950s, as a result. Because of Lend-Lease (the Marshall Plan was, of course, a wholly different proposition) the US had become the best-in-class manufacturer.³

America's actions were a marriage of political imperative and economic savvy. The manufacture of goods to be shipped abroad was not just a political act to help the Allies; it also helped boost the US economy. Indeed, the results of this 'great American intervention' were staggering on almost every level. Thanks to the global need for US production, America's sluggish economy was transformed into a manufacturing powerhouse. By the end of 1944, US unemployment had shrunk to just 1.2 per cent of the civilian labour force – a record low in its economic history which has never been bettered (at the worst point of the Depression more than 15 million Americans – one quarter of the nation's workforce – were unemployed). The US GNP grew from US\$88.6bn in 1939 to US\$135bn in 1944 – an 8.8 per cent compounded annual increase in half a decade. All this meant that everything was geared to manufacturing – and scientific and technological changes intensified. By the end of the war, the rest of the world was broke: Japan destitute, Europe bankrupt and United Kingdom penniless, leaving the United States as unquestionably *the* economic force.⁴

In its crudest form, the only thing that America lost in the Second World War was men. And even then, their losses compared to those of other warring countries were small. Out of the more than 72 million people who lost their lives in the war, the United States lost 416,800 – 0.32 per cent of its population. But, politically, militarily and economically America won hands down. The war was, in the most perverse sense, a resounding success.

America came out of the Second World War hugely rich. As the economic historian Alan Milward notes: 'the United States emerged in 1945 in an incomparably stronger position economically than in 1941 ... By 1945 the foundations of the United States' economic domination over the next quarter of a century had been secured ... [This] may have been the most influential [consequence] of the Second World War for the post-war world.'

By the middle of the 1950s America was financing the rebuilding of post-war Europe and beyond, while at the same time establishing itself as the foremost exporter of cultural norms and technological know-how. It was going to be America's century, and indeed it was.

Not only had the USA avoided direct collateral damage on its own soil (saving the outlay of potentially billions of dollars to rebuild its own infrastructure), the very fact that America could win the war, bankroll its allies during the war and institute the Marshall Plan (aid to Europe worth US\$100bn in today's terms, which was around 5 per cent of the 1948 US GDP) demonstrates just how enormously wealthy the country had become.

Christopher Tassava wrote: ‘economically strengthened by wartime industrial expansion ... possessed of an economy that was larger and richer than any other in the world, American leaders determined to make the United States the centre of the post-war world economy.’ The Cold War would continue for the next fifty years, but it was this strategy that ultimately prevailed. Barely scathed, fantastically rich, no country could come close to the United States. The world was hers.

Rising America infused all aspects of society. Such was its strength, its confidence, its energy, that it permeated and infiltrated every sphere of Western-influenced human activity. The ensuing decades, the 1950s and 1960s, seemed to bear this theme out. Politically this was the era of social conscience and the civil rights movement, culturally there was a revolution in music, literature and art, and American innovation dominated in science and technology, putting a man on the moon and further developing the atomic bomb. The success of the Manhattan Project and advances in the nuclear arms race heralded an age when America’s scientific and technological mastery seemed unassailable in the West. United States exports increased from US\$9,993m in 1950 to US\$19,626m in 1960. This expansion in exports in just one decade was supported by the increase in US gross fixed capital formation, which grew from US\$58bn in 1950 to US\$104bn in 1960. The three decades from the 1950s saw America wield its influence in every quarter. From the great industrial complexes such as General Motors, Ford Motor Company, Mobil Oil, International Business Machines, United Fruit Company and Dow Chemicals, to the Hollywood film industry and the music business exemplified by Motown, all came to symbolize the power of Americana, at home and abroad. It did not just stop at business.

Through the Peace Corps, established in 1961, America stamped its moral authority as it exported its values via its youth to everywhere Americans believed was not like them; with a remit to ‘promote world peace and friendship through a Peace Corps, which shall make available to interested countries and areas men and women of the United States qualified for service abroad and willing to serve, under conditions of hardship if necessary, to help the peoples of such countries and areas in meeting their needs for trained manpower’. And, of course, American values were not just exported through the Peace Corps. Militarily, the US invaded Korea, and Vietnam to this day remains the great blot on America’s conscience. The fact that America was growing bolder, and wielded unparalleled power outside its borders, was unquestionable.

All in all, this was the era that belonged to what the American journalist Tom Brokaw calls the ‘Greatest Generation’: the generation of Americans who fought in the Second World War and returned to build America into the greatest country in the world. For the next five decades they appeared to have succeeded – America was the epitome of wealth, power and cultural dominance, its tentacles reaching to every part of the globe. The rest of the West was firmly held in America’s orbit – how could you not be in its grip, mesmerized by its power and brilliance? It was the sun around which other countries all revolved.

Good times, bad times, America was undeterred. From the oil spikes of the 1970s, the debt burdens and the Wall Street crash of the 1980s, and even the fall of communism in the 1990s, which would spawn its fiercest economic competitors, America seemed unassailable. Through its military might, its industrial capability, helped by free-market capitalism, and its cultural monopoly, America had planned it that way – *Made in America* was the logo of the times.

But fast-forward to today. See how much has changed. Western states are facing untold financial calamity, their populations a...

Users Review

From reader reviews:

Connie Simpson:

Spent a free time and energy to be fun activity to complete! A lot of people spent their sparetime with their family, or all their friends. Usually they carrying out activity like watching television, planning to beach, or picnic within the park. They actually doing same every week. Do you feel it? Would you like to something

different to fill your own free time/ holiday? Can be reading a book is usually option to fill your totally free time/ holiday. The first thing that you'll ask may be what kinds of publication that you should read. If you want to try look for book, may be the book untitled How the West Was Lost: Fifty Years of Economic Folly--and the Stark Choices Ahead can be excellent book to read. May be it may be best activity to you.

Clarence Nelson:

Exactly why? Because this How the West Was Lost: Fifty Years of Economic Folly--and the Stark Choices Ahead is an unordinary book that the inside of the book waiting for you to snap the idea but latter it will surprise you with the secret the idea inside. Reading this book alongside it was fantastic author who also write the book in such wonderful way makes the content within easier to understand, entertaining means but still convey the meaning totally. So , it is good for you because of not hesitating having this any longer or you going to regret it. This excellent book will give you a lot of advantages than the other book possess such as help improving your talent and your critical thinking way. So , still want to hold off having that book? If I had been you I will go to the book store hurriedly.

Donald Lombard:

In this period of time globalization it is important to someone to acquire information. The information will make you to definitely understand the condition of the world. The condition of the world makes the information easier to share. You can find a lot of referrals to get information example: internet, newspaper, book, and soon. You will see that now, a lot of publisher that will print many kinds of book. The book that recommended to your account is How the West Was Lost: Fifty Years of Economic Folly--and the Stark Choices Ahead this reserve consist a lot of the information with the condition of this world now. This specific book was represented how does the world has grown up. The language styles that writer use for explain it is easy to understand. Often the writer made some investigation when he makes this book. Here is why this book appropriate all of you.

Irving Tarkington:

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