

Ferguson, Niall – The Great Degeneration: How Institutions Decay and Economies Die

Penguin Books, 2013, [Economics] Grade ★★★★★

Authoritarian state capitalism à la China is on the rise while the democratic, economically liberal societies seem to be in a dead end. In this book Niall Ferguson, a Scottish born Harvard professor of history, examines the underlying reasons for the stagnation of the Western World. The author is named one of the 100 most influential people in the world, he is a research fellow at Oxford and the Hoover Institute and a best selling author. The basic argument builds on a concept from Adam Smith's *The Wealth of Nations*; the "stationary state", i.e. a society without dynamism and growth. When Smith wrote about the stationary state 240 years ago the text was about China. Ferguson's thesis is that we today can make a parallel to the Western World. And further, that this sclerosis is caused by a degradation of the institutions of our society.

According to Ferguson, the "unknown known" is that when empires retreat it triggers violence. Without growing resources to share between people life becomes a fierce struggle for the resources that already exists. Those best positioned to take advantage are the strong, corrupt and monopolistic elites. Now, the fact is that US social mobility is declining. The wages of the so-called one percent have risen dramatically while the wage of the median worker has been stagnant for decades and the incestuous relationships between Wall Street and Washington is well publicized.

As the author sees it, it has taken the Western World centuries to develop relatively well-functioning institutions such as rule of law, market economy and a civil society and our improvement in wealth has build on this. Yet today few appreciate what we have. We are complacent and ignorant causing a degradation of these institutions that is setting us up for declining economies and possibly dying societies. One key feature of the book is that Ferguson takes a clear stance in that not all institutional systems are equally good and those historically present in Anglo-Saxon countries like the UK and the US are better than most

others. In a post modernist academic world of cultural relativism where no culture is to be deemed more developed than any other this is hugely controversial - rendering comments on dated conservative elitism.

The most visible signs of the degradations are as Ferguson sees it, the massive debts due to our generation living beyond our means. The French government has run a budget deficit every year since the early 1970s. In political philosophy there is a notion of a social contract as glue holding a nation together. The author sees the mountains of debt as a risk to the contract. Why would our children honor a system that mandates them to take responsibility for our spending? Further examples of the degradation are the violent expansion of the amount and complexity of regulations without much thought of unintended consequences and the steady decline of people engaged in the civil society.

Ferguson is an academic that takes a right wing political stance, claiming these policies in the long run better will help socially vulnerable people than the left wing ones. And he writes popular science books. Predictably, he has received scorn from both those academics who think this doesn't make him a proper historian and from the likes of Paul Krugman, Joseph Stiglitz etc. that take an opposite political view.

I think this is an important book. It also has absolutely wonderful language. On almost every page there is a sentence that could serve as a witty, yet thoughtful quote. *The Great Degeneration* is a short and brilliant revision of some of the core problems of the Western Society, but it feels like half a book. If the author had ventured to discuss solutions it would have been a five star classic.

Despite the lack of thoughts on possible ways forward this is a gripping and frightening book that ought to be discussed everywhere.

Mats Larsson, December 26, 2014