The End of History?

If the thinking of Francis Fukayama is representative of that of our State Department's best, then the country is in greater peril than we might have imagined. Fukayama, who is deputy director of the State Department's policy planning staff, is convinced that "the ultimate triumph of Western liberal democracy" already has occurred. As he recently asserted in the influential Washington publication The National Interest, the twentieth century "seems at its close to be returning full circle to where it started: not to an 'end of ideology' or a convergence between capitalism and socialism, as earlier predicted, but to an unabashed victory of economic and political liberalism."* As we discuss below, these notions are "intellectualoid" rubbish. In our view, Western-style democracy is today imperiled, not only by anti-liberal trends in many reaches of the planet but also by not-so-creeping socialism at home.

"What we may be witnessing is not just the end of the Cold War, or the passing of a particular period of postwar history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government." So says Francis Fukayama of the U.S. State Department. Although he grants that "the victory of liberalism...is as yet incomplete in the real or material world," he insists that "there are powerful reasons for believing that it is the ideal that will govern the material world in the long run."

In fact, Fukayama closely follows a Hegelian teleological perspective that tends to view the course of human history as both self-actional and self-perfecting. Stated briefly, this view posits that human affairs proceed in two separate realms, the "real" (material) and the "ideal," which interact in complex ways to shape the direction of history. The crucial question for Fukayama is: which "realm" is dominant?

Marx, for example, subscribed to a similarly dualistic view, but asserted the primacy of the material realm over that of the ideal (it often is said that he "stood Hegel on his head"). Fukayama, on the other hand, returns to the earlier "pure" Hegelian notion that the "ideal" is the dominant force and that "Consciousness is cause and not effect, and can develop autonomously from the material world; hence the real subtext underlying the apparent jumble of current events is the history of ideology."

Human history thus "is rooted in [a] prior state of consciousness" conditioned by, say, religious and cultural influences to the point that all behavioral phenomena are "essentially ideal in nature." The triumph of any such state of consciousness implies inexorable movement toward "the universal homogenous state," whatever its actual content. Indeed, according to this thinking, any contrary human actions or thoughts become inconsequential once it is believed that a particular "ideal" has "triumphed." As Fukayama says, "For our purposes, it matters very little what strange thoughts occur to people in Albania and Burkina Faso, for we are interested in what one could in some sense call the common ideological heritage of mankind."

There is much more that might be said about this interpretation of recent events than can be accommodated in the space available here. However, the irony (and possible implications) of Fukayama's choice of a Hegelian model to celebrate the alleged planetary victory of "liberal democracy" ought not to escape notice. Hegel was anything but a classical "liberal." Indeed, his solution for coping with the evils of the powerful state was to make it more powerful. In this respect, one is left wondering what the "universal homogenous state" contemplated by Fukayama might be like.

Be that as it is, let us accept for the moment his assertion that the liberal ideal has "triumphed" for the present. There still remain the larger questions of whether liberal democracy (according to Fukayama's implied understanding of that term) will remain the dominant ideology among those already formulated; or whether humans really are so un inventive as to be at a loss for conjuring up any new ideologies (his "end of history" implies that there will be no new ideas).

With respect to the former, it should be noted that human history is not a one-way street. World civilizations far more dominant than the West is today, whose adherents also were zealous in espousing their belief that their societies represented the ultimate in human attainment, have come and gone with disturbing frequency.

Sometimes they were replaced by less-developed forms of social organization and primitive "ideologies" as with, say, the retrogression that followed the collapse of Greco-Roman civilization. (As we discuss below, should today's liberal democracies begin to crumble under the weight of their excesses, it would be surprising if there were not at least some resurgence of previously discredited notions.) At other times, even overwhelmingly predominant centuries-old cultural, philosophical, religious and political notions were successfully challenged by "upstart" types of human behavior that eventually evolved into more-advanced societies, as when the Renaissance revolution in science sounded the knell of theocratic feudalism and ushered in the "modern era."

Today, many social critics, including ourselves, hold the view that liberal capitalist democracy in many ways has retrogressed during the past century (E. C. Harwood named this turn of events a "counterrevolution"). It is pretty clear, for example, that Fukayama's view of "liberal capitalist democracy" is tainted with a strong dose of socialism. As he says, "if the bulk of [Gorbachev's] present economic reform proposals were put into effect, it is hard to know how the Soviet economy would be more socialist than those of other Western countries with large public sectors."

* See Francis Fukayama, "The End of History?", The National Interest, Summer 1989, pp. 3-18. All citations of Fukayama are from this work.
Have People Run Out of Ideas?

Although we eschew rigid ideological notions, it ought to be noted that at least an incipient ideological revolution may today be challenging the dominant liberal democratic view of the State Department variety. A strong intellectual undercurrent has developed in opposition to hybrid capitalism, perhaps most notably in today's vaguely stated libertarian ideology, and more specifically in what David Friedman has named "anarcho-capitalism." The point is that, from a genuinely capitalistic viewpoint, the battle of ideas has scarcely been joined, let alone won.

Beyond this, the prospect for the development of genuinely new ideas (not necessarily useful ones) about the organization of human affairs would seem to have been enhanced by very recent technological advances. Indeed, there are indications that thinking is beginning to turn in that direction. The recent work of George Gilder and other advocates of the age of the microprocessor would seem to imply that "quantum" advances in information technology may in the not-so-distant future permit the bypassing of many traditional forms of social, economic, and political organization. Although it has not been adequately specified, the most far-reaching implication of some of this recent work is that intermediaries of all sorts — including the biggest middle-man of them all, government — may, from an "ideal" perspective, become largely obsolete.

In short, despite Fukuyama's metaphysical attachments, it seems highly unlikely that all human ideological battles have been settled for all time or that history has come to a screeching halt. In our view, it seems just as, if not more, probable that a century or so from now intellectual historians may describe our time as one of historical beginnings.

A More Useful Approach to Understanding History

The dawning century may hold as yet undreamed of intellectual surprises. But in our view the rough outline of an open-ended approach (not an "ideology") toward the attainment of human progress has been developing for some time — in fact, for about three and a half centuries. Its successes to date have been impressive, but it has by no means gained universal acceptance. Nor, given past human behavior, can such acceptance necessarily be expected. Very simply, it involves the application of modern scientific method to the problems of humans in society.

As we have written extensively elsewhere, one of the primary requirements of modern scientific procedures of inquiry is that outmoded dualistic notions that consider the "real" and the "ideal" as separate entities and ascribe to them metaphysical self-actional powers must be abandoned. As employed by Fukuyama, Western "ideology" is a self-actional mentalistic construct that bears little practical relation to actual human affairs.

This is not to say that ideas are not important. They are. Humans often have been propelled to action by their beliefs, for better or worse. But human thinking behavior is inseparable from other types of behavior. Ideas do not possess "a life of their own," as so often is assumed in the intellectual formulation of policy and the interpretation of events — with the results almost invariably sheer fantasy.

In our view, a most important revolution in human affairs would be the abandonment of all metaphysical notions, including those involving "ideology," and the rejection of what has been called "the quest for certainty" in the pursuit of solutions to human problems. Instead, modern science requires the closest possible relation between observation and conjecture (between theory and practice) and the willingness to accept all results as tentative and subject to modification and improvement, i.e., a method antithetical to that employed by Fukuyama. The battle for this "intellectual" disposition has, for practical purposes, yet to be engaged on the popular front. But even a brief review of the recent past using those procedures suggests how different from Fukuyama's are the results obtained.

The Recent Past Reconsidered

Disregarding possible future challenges, has liberal democracy triumphed even in the present, as Fukuyama confidently asserts? On the basis of even casual observation, the answer would seem to be: definitely not. First, Russia and China: at this time, the "democratization" of the Soviet Union remains largely a fiction of the Western media, and would seem to require heavy discounting until it is established that proposed changes are carried out and sustained. There is, in fact, little if any evidence that the Russian people themselves are ready to embrace Western-style democracy no matter what their leaders may want. Unlike some satellite republics, they have no experience with democracy, and while they want material progress, it is far from clear that they will be willing to give up the meager security they have under Communism (recall that last year a planeload of Russian immigrants left New York for home, having found themselves unable to cope with the strains of living in a relatively free society). The attitudes of the general population of mainland China are even less-understood, but it seems abundantly clear after the events of this summer that China's leaders are scarcely ready to relinquish their totalitarian control over their subjects.

The recent events in Hungary, Poland, and the Baltic States, on the other hand, seem to show convincingly that a majority of those populations embrace a liberalization of the political and economic structures in their countries. However, when one is seeking trends, it is changes across time that count. In this respect, it should be noted that Hungarians and Poles have been yearning for freedom for decades (does anyone remember the Hungarian Revolt of 1956?). The same can be said of the Baltic states Latvia, Lithuania, and Estonia. Indeed, the inhabitants of those states accepted their annexation only at gunpoint. They have, at least since World War I, always been in the "liberal" camp. In short, recent events in those countries do not represent an intellectual shift from East to West.

Outside of Eastern Europe, "ideological triumphs" may have been more frequent among the anti-liberal forces than among the advocates of Western-style democracy. Thirty years ago, there was considerable optimism that the forces of "modernization" would quickly democratize Africa, Asia, the Middle East, and Latin America. The triumph of "democracy" was being celebrated in South Vietnam; the Shah believed that the triumph of democratic capitalism, hastened by massive commitments of aid from the Western powers, was inevitable. We know now what happened in all of those places, and it was not the creation of liberal democracy.

Of greater concern is the fact that current trends in the United States itself suggest movement away from liberal capitalism. Despite the free-market rhetoric of the 1980's,
Government has continued to intrude into more and more affairs of its citizens. And, as we have repeatedly asserted in the pages of these reports, the statist policies of the Nation's lawmakers seem to be creating the preconditions for eventual collapse. If that does happen, it is probable that the competition among "ideologies" that propose a solution will be fierce — and any notions that history has ended may seem even stranger than those of Mr. Fukuyama's Burkina Fasoans.

SHOULD THE AIRLINES BE REREGULATED?

Eleven years after its deregulation, the airline industry is in trouble. A recent survey indicated that among all the major industries, consumers have the least confidence in America's air carriers. * Soaring fares, congested airports, an increase in canceled and delayed flights, and reports of accidents and near collisions have contributed to public concern. In response to complaints from many sources, Congress now is considering some sort of airline deregulation — and the outcome of its deliberations likely will influence similar debates over whether to deregulate (or reergulate) other industries, such as banking and railroads. Although its critics say that the unshackling of the air transportation market has fostered numerous problems, a principal difficulty for the airlines today seems to be that deregulation has not proceeded far enough.

Until 1978, the Civil Aeronautics Board (CAB) closely regulated the airline industry. Created by Congress in 1938, the CAB was responsible for granting or denying fare increases and route changes proposed by carriers, and for approving or disapproving airline mergers. Since the CAB indirectly controlled fares and routes, competition between airlines was limited primarily to the frequency of their flights and the services they provided. Under this regime, the industry evolved by the mid-1970's into one dominated by a dozen or so large carriers.

However, the Airline Deregulation Act of 1978 abolished the CAB and provided that regulation of fares be reduced in stages, to cease entirely by 1983. Airlines subsequently were enabled to choose their routes, and merger approval was transferred to the Department of Transportation.

In the years immediately following, airline deregulation appeared to be a great success. Small and midsize carriers entered the market to compete with the big airlines. Fare wars drove prices down sharply, new routes proliferated, and ridership soared. In the decade following the Deregulation Act, air passenger traffic increased 65 percent, reaching 450 million in 1988. In 1971, fewer than half of all Americans had ever flown; by 1989, 75 percent had.

The Big Squeeze

In the mid-1980's, however, the situation began to change. The 200 or so "upstarts" that had entered the air transportation market in response to deregulation either merged with or were acquired by the major airlines — or else went out of business. Today, eight large carriers control over 90 percent of the market for passengers, fewer even than the number of majors before deregulation.

Moreover, the opportunities today for new carriers to compete successfully with these industry giants are severely constrained. Through long-term leases, the eight largest carriers now control most of the loading gates and landing rights at major airports, which have become centers for the "hub and spoke" route systems that serve most markets. They own the computer reservation systems used by travel agents, and often pay agents commissions to arrange for flights with their lines. Their frequent flier plans encourage a "brand loyalty" that makes it difficult for other lines to compete, even with hefty discounts.

As competition from new carriers has diminished, so have discount pricing wars. Fares began to increase in 1987 and continue to do so. Industry profits, which decreased in the mid-1980's, increased in 1987 and 1989 and five airlines reported record profits in the second quarter of 1989. At the same time, reports of shoddy maintenance, accidents, and near collisions have fueled concerns about passenger safety. The Federal Aviation Administration (FAA) has fined several carriers for maintenance and safety violations, and the airline industry as a whole has been accused of sacrificing passenger safety in its pursuit of profits.

Since most of these problems emerged in the years following deregulation, it is not surprising that many airline critics have concluded that deregulation per se contributed greatly to them. A closer look at the situation, however, suggests otherwise.

Privatize the Airports

Consider the problem of congested airports and delayed flights. Deregulation "caused" these problems only insofar as it encouraged greater numbers of people to fly, a development to which neither the airlines nor the airports have successfully adjusted. The main difficulty is that while the number of passengers has soared since 1978, the number of landing and docking sites has stayed roughly the same. So far, most proposals to build new airports have been thwarted by local communities' land-use restrictions, which have been supported both by those who object to noise and traffic congestion and by airlines fearful of the competition new facilities might foster. For similar reasons, existing airports have not been expanded sufficiently to handle the increased traffic.

A long-term approach to the problems of airport overcrowding and oligopolistic control of existing facilities would seem to call not for deregulation, unless the object is to reduce the number of flyers to earlier levels and stifle genuine competition. Rather, it would seem to require new incentives to promote, if not the physical expansion of airport facilities, then at least the more-efficient use of existing landing and docking sites. Presumably, it is desirable to create conditions so that the greatest number of passengers can be accommodated by facilities already in place.

One means of doing is immediately available. Obviously, the number of planes that can land at a given airport in a given time period is limited. However, the matter of which planes actually land in that time depends on a number of variables, not the least of which is the cost to the carrier of each landing. Under the current system, landing fees that airports charge to incoming flights are assessed according to plane weight (similar to road-use taxes levied on truckers according to weight). Thus a nearly empty commuter flight pays less than a 747 loaded to capacity.

But if the object is to permit increased flows of passenger traffic, landing fees might more usefully be set in a manner that allows the greatest number of passengers to land at the least cost. As economists Steven A. Morrison and Clifford Winston recently suggested, a landing fees structure based on the costs of delays imposed on others could reduce congestion at peak hours. Such a system would charge higher landing fees at peak hours, which would discourage small planes and half-empty flights from landing at such times. The higher fees

Morrison and Winston present, as an alternative, a simple comparison of accident data for the periods before and after deregulation, unadjusted for other factors. If inadequate maintenance had endangered passenger safety, it might reasonably be expected that an increase in the number of fatal accidents in which maintenance was the major contributing factor would occur. Table 1 lists the major contributing factors to fatal commercial airline accidents for the periods 1965-75 and 1976-86. (These periods coincide roughly with deregulation in 1978.) As can be seen, maintenance was a contributing factor in only a few accidents in both periods. Overall, the order of importance of contributing factors to fatal accidents remained roughly what it was prior to deregulation.

There also is little evidence that passenger safety was compromised by airlines hiring less-experienced pilots, even though pilot error remained the number one contributor to fatal accidents. Table 2 shows the average age, total flying hours, and flying hours in the particular type of aircraft for pilots involved in fatal accidents. Characteristics that would seem to be reasonable measures of experience. Each of these measures was higher in the period after deregulation than before.

Admittedly, these data are hardly comprehensive. They include accidents only through 1986 and do not include near misses. Again, they show only what actually happened, not what might have happened had deregulation not occurred. They do suggest, however, that whatever the reasons for continued problems with airline safety, the link between it and deregulation is not as strong as many might suppose. It may be, as some analysts have suggested, that public perceptions of safety problems have been distorted by intensified media coverage of accidents in recent years. Indeed, it may come as a surprise to many readers that the number of fatal airline accidents decreased in the period after deregulation, even though the number of flights increased greatly.

Let the Market Take Off

Government attempts to improve upon market outcomes generally founder on a failure to understand the power of market incentives. Well-intentioned "solutions" that ignore existing incentives and thwart the creation of new ones typically produce unintended consequences. A recent FAA attempt to curb the major carriers' near-total control of landing rights is a case in point. It staged a lottery to award rights to a few slots to smaller carriers. The "winners," however, quickly sold the rights back to the majors, which valued them more. Instead of trying to "manage" landing space and "engineer" competition within the airline industry via some weird mix of privilege and punishment, policymakers should remove all remaining legal barriers to a more-efficient market-driven industry. Abolishing limits on landing fees, allowing airports to modify their landing fee schedules, permitting foreign airlines to service domestic routes, and privatizing the major airports would be steps in the right direction.


## PRICE OF GOLD

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<tr>
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<th>1988</th>
<th>1989</th>
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<tr>
<td>Final fixing in London</td>
<td>$398.50</td>
<td>$362.80</td>
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**Table 1**

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<tr>
<th>Major Contributors to Fatal Commercial Air Accidents, 1965-1986</th>
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<tr>
<td>Order of</td>
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<tr>
<td>Contributor</td>
</tr>
<tr>
<td>Pilot error</td>
</tr>
<tr>
<td>Weather</td>
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<tr>
<td>Traffic control</td>
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<tr>
<td>Aircraft/engine</td>
</tr>
<tr>
<td>Maintenance</td>
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<tr>
<td>Airport facilities</td>
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* Includes 42 accidents and 10 mid-air collisions.
† Includes 15 accidents and 1 mid-air collision.


presumably would be passed on to those travelers who place the highest premium on landing at peak hours.

As sensible as it seems, this mechanism nevertheless has been thwarted by continued Government regulation of airports. For example, when the managers of Boston's Logan Airport last year attempted to charge smaller aircraft higher landing fees at peak hours, they were overruled by the FAA. In fact, Federal law continues to limit the revenue airports can raise through landing fees. Eliminating such restraints might go a long way to promote the better use of existing facilities.

If the airports were owned privately, and if the owners were given the freedom to add capacity, presumably market incentives would promote airport development that has been retarded by the politicized bureaucracy. In short, deregulation must be made to extend not just to fares and routes, but also to the airports themselves, which remain under centralized and inefficient Federal control and whose highly regulated operations have defined market discipline.

**Would It Be Safe?**

With respect to the issue of passenger safety in a genuinely deregulated environment, Morrison and Winston note that the question that ought to be asked is "How does safety under deregulation compare with what safety would have been under regulation, all else being equal?" This question is not easily answered, since "all else" has not been equal since deregulation. Changes in radar technology and the restructuring of air traffic control process after the 1981 strike, for example, may have affected accident rates. Sorting out the effects of such factors is difficult if not impossible.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>CHARACTERISTICS OF PILOTS IN FATAL ACCIDENTS</th>
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</thead>
<tbody>
<tr>
<td>Pilot Characteristic</td>
<td>1965-75</td>
</tr>
<tr>
<td>Age</td>
<td>44.95</td>
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<tr>
<td>Total flying hours</td>
<td>14,622</td>
</tr>
<tr>
<td>Flying hours in aircraft type in accident</td>
<td>2,481</td>
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Source: See Table 1.

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